EUROPE'S BUSINESS NEWSPAPER

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Tuesday July 3 1990

D 8523A

URUGUAY ROUND
Friends rally to help ailing trade talks
Page 3

World News

Mrs Marcos acquitted of fraud charge by US court

Imelda Marcos, widow of former Philippines president, was acquitted of racketeering and fraud charges by a federal jury in New York after five days of deliberations.

Also acquitted was Adnan Khashoggi, the Saudi businessman, who was accused of aiding her to secretly buy Manhattan property. Page 18

Kosovo-Serbia split

Ethnic Albanian legislators declared their Kosovo province independent from Serbia, Yugoslavia's biggest republic. Page 2

Pilgrims crushed

Scores of Moslem pilgrims visiting holy sites near Mecca in Saudi Arabia were crushed to death inside a tunnel after a power failure plunged them into darkness.

Thousands heed call

Tens of thousands of South African blacks stayed away from work and schools after the African National Congress called a general strike in protest at faction-fighting between rival black groups. Page 4

IRA attacks police

The Irish Republican Army fired a rocket at a Belfast police station, injuring 10 people. Police later seized a Soviet-made rocket launcher and rifle found nearby.

Walesa unity display

Lech Walesa, the Solidarity leader, has invited the Polish Prime Minister and other Solidarity leaders to the Gdansk shipyard to demonstrate the movement's unity after the factional strife of the past few weeks. Page 2

BA launches inquiry

British Airways ordered a "full and immediate" investigation into its security after admitting that a fake bomb had been smuggled on one of its flights. Page 8

Cholera kills 15

Fifteen people have died of cholera in Patna, the capital of India's Bihar state, after a month-long strike by workers who clear garbage.

Diplomatic thaw

China and Indonesia resumed talks in Peking aimed at normalising relations which were frozen 23 years ago. Page 4

Paris air strike

Airlines have cancelled dozens of flights in and out of Paris as air traffic controllers prepared for a three-day strike beginning today at France's largest flight control centre. Brussels pay offer, Page 2

Police stop music

Kenyan police swooped on dozens of people who were listening to or selling so-called "subversive music" which supports multi-party politics and satirises the government of President Daniel arap Moi.

Mandela urges talks

Black nationalist leader Nelson Mandela urged Britain and the Irish Republican Army to begin negotiating and stop the slaughter in Northern Ireland. Page 4

UN peace effort

The United Nations embarked on a new effort to secure a lasting peace between Iran and Iraq, encouraged by signs of improving relations between the former Gulf War enemies. Page 4

Blockade fully lifted

The Soviet Union said it had fully lifted its economic blockade against Lithuania following a breakthrough in the crisis over the republic's declaration of independence.

Storm batters Japan

Heavy rain battered parts of southern Japan with floods and landslides killing at least 16 people.

Business Summary

Pöhl rejects British plan for 'hard Ecu' alternative

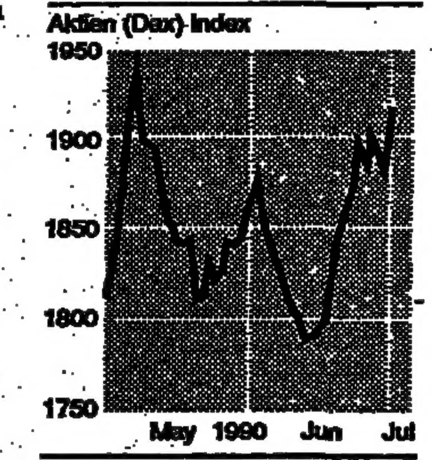
Karl Otto Pöhl, President of the West German Bundesbank, rejected the British Government's plan for a "hard Ecu" and European Monetary Fund as an alternative to the Delors Committee's proposals for economic and monetary union (EMU) in Europe.

In a lecture for delivery to the Institute of Economic Affairs, Mr Pöhl restated his support for a future European Central Bank System (ECBS) and the creation of a "common" European currency to replace national currencies. Page 18

Markets: Domestic institutions and traders took the FAZ index up 9.54 to 805.18 at midsession and the DAX by 35.40, or 1.9 per cent to 1,915.30 at the close as Frankfurt celebrated monetary union, and the strong performance of the D-Mark. Back page, Section II. Bond rally. Page 23; East German businesses expect help. Page 2; Second day of GMU, Page 18

W.Germany

Aktien (Dax) Index



LONDON'S two leading financial futures and options exchanges are to merge by the end of the year into a market that will be called the London Derivatives Exchange. Michael Jenkins, currently chief executive of the London International Financial Futures Exchange (Liffe), will head the market. Page 19

RALPH Ingersoll, US newspaper publisher, said he was swapping his share of his American publishing empire in return for taking control of newspaper interests in the UK and Ireland that were until now jointly owned. Page 19

GENERAL Instrument, leading supplier of components to cable and satellite TV companies, has agreed to a $44.50 a share cash takeover offer worth $1.6bn from Forstmann Little, New York buy-out specialist. Page 19

RATNERS Group, UK jewellery retailer, has made an agreed offer for Kay Jewelers, loss-making US group in a deal valued at $412.2m. Page 19; Lex, Page 18

DFC New Zealand merchant bank creditors were told that their claims should be met in full. The bank collapsed last October owing some $1.3bn (NZ$2.2bn). Page 21

BASF, West German chemicals company is to sell its interests in inks and fragrances in the US thought to be worth about $450m. Page 22

ROTHMANS International, UK cigarette and luxury goods group, is paying $130m (Fl 245m) for Theodorus Niemeyer, Dutch producer of pipe and rolling tobacco. Page 22

AUSTRALIA and New Zealand have opened talks aimed at harmonising services after completion of a package which swept away final tariffs, import curbs and barriers on goods and services. Page 3

BRITISH Technology Group and Creditcapital Finance Corporation, Bombay-based financial institution, are to enter a joint venture to establish India's first commercial technology development and transfer organisation. Page 4

TORONTO market was closed for Canada Day.

Gorbachev warns of dark age if perestroika is halted

By Our Foreign Staff

PRESIDENT Mikhail Gorbachev yesterday turned on his conservative opponents in the ruling Communist Party, denouncing criticism of perestroika as "rubbish" and warning of a new dark age in the Soviet Union if the process is brought to a halt.

Opening a key party congress that could decide the future of the Communist Party of the Soviet Union, he branded as rubbish charges by old-style activists that his blueprint for progress was to blame for the country's economic and political crises.

A conservative-dominated audience of party faithful sat in near silence as Mr Gorbachev offered the country a stark choice in an attacking keynote speech.

He said: "There are voices now – more than that, an opposition has formed – which says that in all our failures perestroika (restructuring) is to blame."

This was "simply rubbish," he declared, blaming a heavy legacy of policies by previous, discredited administrations.

Mr Gorbachev said that without sweeping change the Soviet Union was already on the way to becoming "a second-rate power."

Insisting the way ahead lay through political pluralism and a free-market economy, the State President and Party General Secretary said reform could only be wrecked "if someone manages to split the democratic forces...

"Either society goes along the road of the deep transformations that have begun... or anti-perestroika forces will get the upper hand and then dark times are in store for the country and the people," he told the 4,657 delegates.

In contrast to all previous congresses since the 1920s, the party leader's address won little applause from an audience in the Kremlin Palace of Congresses that was overwhelmingly conservative.

Within minutes of the congress opening – as anti-communist protesters chanted "down with the party" on Red Square outside – a hard-line delegate from the Far East called on the leadership to resign immediately.

And in statements in Pravda, the party daily newspaper, other conservatives said current leaders were guilty of "gross errors" that had brought the country into economic and social turmoil and should be replaced.

Conservatives, including senior army officers, accuse him of leading the country back towards capitalism and of weakening its defences through unequal arms deals with the west and by allowing eastern Europe to abandon communism.

But on Monday, Mr Gorbachev insisted that the country's problems originated under Stalin when a controlled bureaucratic party elite established a grip on power.

"The abandoned state of our farms, the disastrous situation with our forests and rivers, the massive ecological problems – are these not the result of the policies followed in past decades?" he demanded.

The national and ethnic problems that have surfaced in all corners of the 15-republic federation and pose a major threat to its unity "have not arisen yesterday but have their roots in the past," Mr Gorbachev declared.

"And the militarisation of our economy that swallowed countless billions of roubles that could have been spent on improving peoples' standards of living? And the war in Afghanistan? Were they caused by perestroika?"

Mr Gorbachev told the congress his foreign policy based on "new thinking" and "common human values" in contrast to the past hostility to the outside world had brought a lasting peace closer and a better chance for the country to develop.

He referred to the collapse of old-style communism in eastern Europe and the withdrawal of Soviet forces at the request of the new governments there.

Bush plans to make N-weapons last resort, Page 18

Philips expects Fl2bn loss after rationalisation costs

By Ronald Van De Krol in Eindhoven

SHARES in Philips, the Dutch electronics group, fell 7.3 per cent yesterday to a new low for the year after the company said it expected to make a 1990 net loss of Fl 2bn ($1.07bn) – its first in living memory.

The loss compares with record net income of Fl1.3bn last year and will result from a charge of Fl 2.7bn that Philips will take in the second half of the year for slimming down and rationalising its struggling computer and computer chip activities.

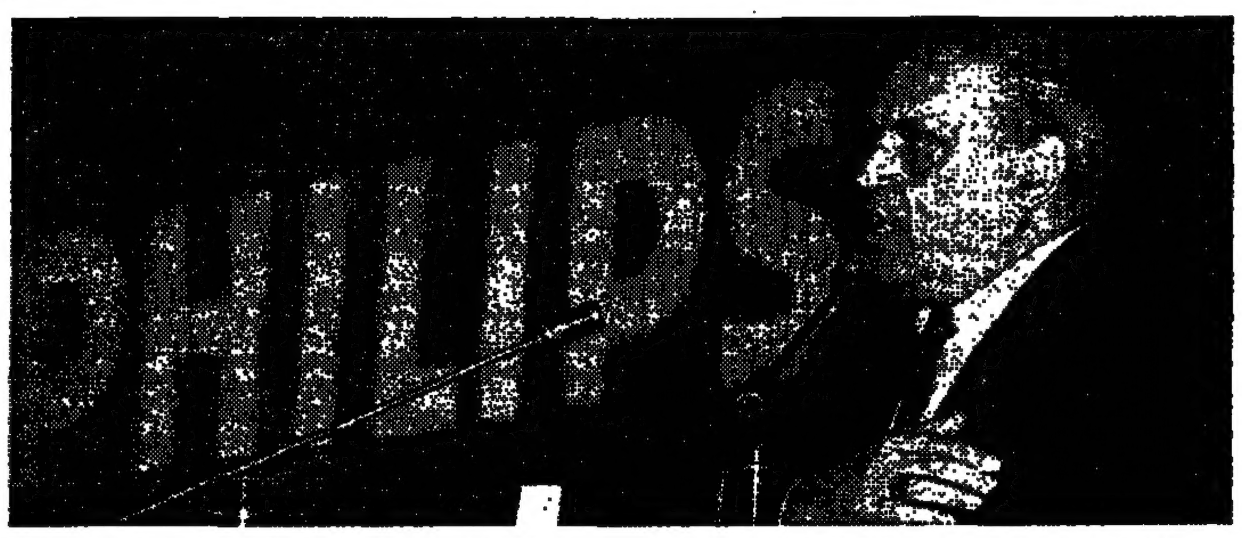
The shares closed yesterday at Fl 30.70, down Fl 2.40.

Announcing the surprise forecast in his maiden speech as the new president of Philips, Mr Jan Timmer told an extraordinary shareholders' meeting that the company would also cut 10,000 jobs, mainly in Europe. The company employs 200,000 people in Europe, two-thirds of its worldwide workforce.

In comments to reporters later, Mr Timmer, 57, described the Fl 2.7bn financing charge and job cuts as "one of the most serious, most far-reaching programme of measures in the history of Philips."

Mr Timmer, formally appointed president of Philips yesterday, said the company did not plan to withdraw entirely from computers or computer chips. But he said Philips would rethink these activities and slim them down to concentrate on those areas it knows best.

"In information systems, we will make major reductions in in-house development and in-house assembly," Mr Timmer said. "In the long term, we don't rule out the possibility of partnerships with others, but not until we've put our own house in order." Talks on co-operation with Olivetti of Italy recently ended in failure.



Hand on heart, Philips president Jan Timmer promises shareholders a return to profit

Mr Timmer cited computer systems for banks as a sector on which Philips would continue to concentrate. The company will also redouble efforts to develop optical storage systems for computer data, he said.

Half of the Fl 2.7bn charge will be earmarked for write-offs of fixed assets, including some unsold computers.

Mr Timmer, a 38-year veteran of the firm with a reputation for turning around loss-making activities, said the company had sufficient financial strength to absorb the Fl 2bn loss. Philips had begun talks with its bankers, he said, adding "our bankers will support us in this operation."

He said it was too early to comment on whether Philips would omit its interim, or even its final, dividend for 1990.

Yesterday's shareholders' meeting capped two months of controversy at Philips. In May, former Philips president Cor van der Klugt was forced to resign his post following the publication of disastrous first-quarter figures which ran counter to optimistic statements he had made at the annual shareholders meeting only three weeks earlier.

Despite repeated questioning by shareholders, Mr Wisse Dekker, supervisory board president, declined to comment on how the company got its April forecast wrong, saying the matter was now the subject of a class action suit by US shareholders who accuse Philips of misleading them.

Mr Timmer's forecast of substantial losses in 1990 is the latest in a series of downward revisions of expectations. In mid-June, the company had said only that profits would be "very low" this year.

In the first five months of 1990, operating profit fell 13 per cent to Fl 774m on turnover which rose by one per cent to Fl 21.18bn, the company announced yesterday.

The professional products and systems division, which includes computer activities, posted an operating loss of Fl 124m, reversing a slim Fl 25m profit recorded in the same period of 1989.

Operating losses in components widened to Fl 42m from Fl 5m. However, operating results in the consumer electronics division surged to Fl 645m from Fl 349m.

Lex, Page 18; Tough times in European computer industry, Page 20.

Brussels to rule out border curbs on pension funds

By Tim Dickson in Brussels

NATIONAL CURBS inhibiting cross-border investment by pension funds must be removed, Sir Leon Brittan, EC Competition Commissioner, warned yesterday.

In a speech to the International Pensions Conference in the Netherlands, Sir Leon said some investment restrictions were "clearly discriminatory," while others "may be illegal insofar as they contravene the crucial directive on freedom of capital movements" which took effect this week.

Sir Leon admitted that some exceptions to free capital movement could be justified on prudential grounds and by the danger that movement of large amounts of capital by pension funds could disturb national monetary and exchange rate policies.

But he added that he suspected many national restrictions on pension fund investment could not be defended in this way. "Their effect, if anything, is not to increase prudential levels, but to limit them, by obstructing optimal portfolio diversification."

Sir Leon drew attention to the vast size of the European pension fund industry, noting that in the UK and the Netherlands pension fund and life assurance assets represented more than the entire gross domestic product.

"The implication of these gigantic sums is that if pension fund assets continue to be subject to restrictive national legislation, the directive on freedom of capital movements... will lose a good deal of its force and purpose."

The intention in Brussels to create a single market for pensions – allowing full freedom for cross-border membership, management and investment of funds – has always been implicit. But yesterday's speech, delivered on Sir Leon's behalf, set out the Commission's detailed strategy for the first time.

In the speech, he emphasised how important it was that retirement financing "keep pace" with greater employee mobility and with the growing tendency for European companies to straddle national borders. The freest possible flow of pension fund assets, moreover, was vital for economic growth in the Community "as well as for wider purposes such as the development of eastern Europe."

Sir Leon dismissed fears in the industry that Brussels saw no distinction between pensions and insurance but he stressed that, as in other fields, progress would be sought "principally on the basis of mutual recognition, and not of detailed harmonisation."

Full analysis of the issues has yet to be completed, but he disclosed that the EC's broad approach to tax would be one of "territoriality" – that is to say a fund would continue to be taxed in its country of establishment, while the contributions and benefits of members would be determined by the rules in the member state of the individuals involved.

Timmer wins mandate to bring back vital spark

"Do you have something against us shareholders or what?" This was how one small investor, who has had Philips shares in his portfolio for 20 years, summed up his frustration with the company yesterday, writes Ronald van de Krol in Eindhoven.

Philips' shareholders have become used to disappointing profits and to millions of guilders in annually recurring restructuring costs. But they were not prepared for yesterday's announcements.

At the heavily attended extraordinary general meeting, called to approve the appointment of Mr Jan Timmer as president, an uncomfortable murmur arose when he delivered the bad news. Shareholders reacted with irritation and frustration.

One was applauded when he asked why members of the company's supervisory board did not follow the example of the previous Philips president, Mr Cor van der Klugt, who had resigned a year ahead of schedule.

Another complained that Philips, the inventor of the compact disc, among other products, was losing its place as the international showcase of Dutch industrial prowess.

The most popular metaphor chosen by shareholders to express their criticism was a nautical one. The choice was partly a legacy of Mr van der Klugt's five years in office during which he spoke of Philips as a mammoth tanker that was slowly being turned around and put on course.

The comparison has come back to haunt the company's senior management. Mr Henk Bijvank, an official of the Dutch union Industriebond FNV argued that rather than cleaning up the tanker's "holds" – the company's activities and lower-ranked employees – the company would do better to thin out the "bridge" – in other words, upper-level management.

He made clear that while the unions were prepared to co-operate in carrying out reorganisation, they would not take part in a wholesale divestment of the company's computer and component activities, a possibility he compared with the behaviour of hypothetical asset strippers who would tear apart a tanker to create a lightweight yacht, "leaving the debris strewn on the world's beaches."

By making such a bold start as president, Mr Timmer obviously meant to clear the decks and to put the company on course for improved results by its centenary in 1991.

Despite the frustration of shareholders, Mr Timmer was given a vote of confidence by several speakers. In contrast to Mr van der Klugt, who had often reacted irritably to criticism, Mr Timmer acknowledged that Philips' corporate culture was partly to blame for its difficulties.

One of his goals was to make the company more commercially minded and to make managers more responsible for their financial results.

"We have a big reputation for research and development and we don't want to lose that reputation. But we do need to make sure that the fantastic products which we develop get expressed more quickly in the financial results."

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CO-LEAD MANAGER
EFISA-Engenharia Financeira, S.A.

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JUNE, 1990

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No honeymoon but a trial by fire for the new president of Chile

The first 100 days or so in office have been more of a trial by fire than a honeymoon for President Patricio Aylwin of Chile (left). The restoration of democracy landed him with a host of problems.
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MARKETS

STERLING
New York lunchtime:
$1.7645
London:
$1.7635 (1.7445)
DM2.925 (2.905)
FFr9.81 (9.76)
SFr2.475 (2.47)
Y266.75 (265.5)
£ Index 91.7 (91.4)

GOLD
New York: Comex Aug
$360.8 (359.9)
London:
$357.5 (352.75)

N SEA OIL (Argus)
Brent 15-day Aug
$15.875 (16.3)

Chief price changes yesterday: Page 19

DOLLAR
New York lunchtime:
DM1.6555
FFr5.5575
SFr1.402
Y151.15
London:
DM1.658 (1.6655)
FFr5.5625 (5.595)
SFr1.4035 (1.4155)
Y151.25 (152.25)
$ index 66.4 (66.8)
Tokyo close: 151.4

US lunchtime rates
Fed Funds $8\frac{5}{16}$%
3-mo Treasury Bills:
yield: 7.976%
Long Bond:
$103\frac{13}{16}$
yield: 8.393%

STOCK INDICES
FT-SE 100:
2,372.0 (−2.6)
FT Ordinary:
1,896.6 (−3.3)
FT-A All-Share:
1,170.25 (−0.1%)
New York lunchtime:
DJ Ind. Av.
2,889.6 (+8.91)
S&P Comp
358.41 (+0.39)
Tokyo: Nikkei
32,160.23 (+219.99)

LONDON MONEY
3-month interbank:
closing $14\frac{29}{32}$ ($14\frac{15}{16}$)
Liffe long gilt future:
Sep $85\frac{3}{8}$ ($85\frac{7}{8}$)

A plan for import duties has been dropped but other temporary assistance is likely

E German businesses expect help in battle to survive

By David Goodhart in Bonn

EAST GERMANY will not, after all, impose an 11 per cent duty on a range of West German consumer goods as had been envisaged in the East-West German State Treaty as a provisional protection measure for East German industry.

The East German Volkskammer (parliament) voted against the measure last Thursday. On Friday the Government insisted it was sticking to the measure but later changed its mind and abandoned it in the face of increasing scepticism in both Germanys and potential complications with the EC.

However, there remains a wide consensus supporting some provisional assistance measures for East German companies and there is now speculation that, instead of import duties, companies will receive direct government support to allow them to lower their prices. Other assistance measures include:

- All investors (including foreign investors) qualify for a 12 per cent investment grant for new investment anywhere in East Germany. There have been complaints that this does not even match West German regional incentives and it is likely to be raised, at least for some areas of the country.
- There will continue to be an incentive for West German companies to buy East German products as they can claim back the value added tax they pay. Before economic union there was a double incentive as they could claim back VAT despite the fact that they did not pay any.
- There is likely to be selective waiving of corporate debt for East German companies, especially those in the defence sector or those that spent large sums on expensive foreign investment goods.

In several other areas West German economic laws or regulations will not immediately apply.

Bankruptcy and cartel laws, although both based on West German models, will be applied more leniently.

West German corporate tax does not come in until January and even then is likely to include special tax breaks, and environmental regulations are being phased in over a five-year period.

Supporters of more generous provisional assistance may be strengthened by the latest pre-economic union data which shows that East German industrial production fell by 5.5 per cent in the first five months of this year. For the first three months of the year investment fell by 13 per cent.

In May the drop in production was especially sharp and 11.6bn East German Marks worth of orders were cancelled. In that month, deliveries from West Germany rose 92 per cent compared with May 1989, and deliveries to West Germany fell by 9 per cent.

Mr Gerhard Pohl, the East German Economics Minister, says, however, in an interview published today that the belief that 20 per cent of all companies would collapse now looks too pessimistic. He also announced that East German food production *that* could no longer be sold in East German shops would be sent to the Soviet Union.

Higher food prices force East Berliners to buy sparingly

By Leslie Colitt in East Berlin

EAST GERMANS, deprived of massive food subsidies with the introduction of the D-Mark, yesterday significantly lowered their purchases of formerly cheap staple foods.

Even the expected flood of East Berliners into West Berlin supermarkets and apartment stores did not materialise.

Mr Peter Frenser, the manager of West Berlin's low-priced Bilka department store, said the East German shoppers who came had apparently taken official calls to heart and were saving as much as possible of their new D-Mark incomes.

But on a more ominous note, *the higher prices for basic* foods and the planned removal of subsidies for housing and transport triggered off a series of warning strikes in the metal working industry.

Workers in the Ludwigsfelde truck factory and in a steel mill and locomotive plant in Hennigsdorf yesterday heeded a call by the IG Metall trade union in Berlin-Brandenburg. The union demanded a DM400 monthly wage rise, along with a 40-hour working week, and payment of a 13-month bonus.

Thus, the combination of sudden price rises and the threat of strikes seemed quickly to dilute the euphoria of the weekend when East Germans could exchange their savings for West German currency.

For instance, food store managers from Rostock to Dresden reported sharply reduced buying of formerly highly-subsidised bread, sugar, milk, potatoes and beef.

Ms Edith Goldbach, manager of the large Kaufhalle store in Rostock, said she would order *half of the previous 1,000 litres* of milk a day, as customers were buying correspondingly less milk at DM1.29 a litre – against a previous price of Marks 0.66.

A woman and her husband emerging from a bakery in East Berlin's Stargarder Strasse said they would no longer be eating rolls each day for breakfast at DM0.20 a piece (formerly Marks 0.05). East Germans were also buying bread more sparingly at DM2.79 a 1lb loaf, which had cost Marks 0.54.

Yes, we have bananas at last in an East Berlin department store

All the bread yesterday came from the West, while loaves from East Berlin bakeries were nowhere to be seen.

The Government paid Marks 34bn in subsidies last year to maintain low basic food prices and large-scale waste was the result.

Bread, for example, was regularly fed to pigs, as it was cheaper than fodder.

Reduced subsidies will also affect rent for accommodation. A doubling of rents next January and expected higher prices for heating have produced a rash of newspaper wanted adverts for smaller flats.

Low rents – Marks 90 for a spacious pre-war flat of four rooms – caused many elderly people to remain in their large old flats, blocking them for occupancy by families with children.

EC friction with US mars start of Rome presidency

By John Wyles in Rome

WORRIES that deteriorating EC relations with the US will complicate Italy's tenure of the European Community's presidency over the next six months threaded their way through a seaside encounter between the Italian Government and the European Commission yesterday.

With next week's summit of the west's seven most industrialised nations looming in Texas, Mr Jacques Delors, the Commission president, is believed to have strongly criticised the US rejection of the Twelve's readiness to consider aid to the Soviet Union and also Washington's hard line against the EC's system of agricultural support. He was resentful of Washington's failure to consult with Europe before making public statements.

Neither the Commission nor Italian ministers seemed able to summon up much optimism for the final phase of the Uruguay Round trade talks, fearing that the US and Europe might not be able to close the gap on agriculture. "There is a need to take an overall view," said Mr Giulio Andreotti, the Italian Prime Minister, in an implicit criticism of the US at a press conference afterwards.

Both sides fielded full teams yesterday – 23 ministers for Italy and 17 commissioners for Europe – at what was once the coastal summer residence near Rome of the Italian royal family. The Italians were rendered somewhat breathless by Mr Delors' definition of no fewer than 10 priorities for the next half year, which he said promised to be "fascinating and perilous".

But the main priorities emerged as preparation for December's two inter-governmental conferences on economic and monetary union and political union, and the need to give a decisive push to social action proposals aimed, as Mr Delors said quaintly, at creating "a Europe for the workers".

The Commission president seemed entirely relaxed about the possibility that not all governments would head down the economic and monetary union road. "We can have an economic community of 12 and a monetary union of nine and still be good friends," he said. All involved are still vague about the shape of political union. The Italians want the next meeting of EC foreign ministers to set up a special group of ministerial representatives to try to agree on a mandate for the December conference.

Electricity deal may be blocked

By David Goodhart

THE CONTROVERSIAL plan for three of West Germany's largest utilities to take over the East German electricity supply system is unlikely to survive in its present form after the West German Cartel Office announced yesterday that it was opening an official investigation.

Such investigations can last four months but a spokesman said that a result was expected within two to three weeks. The Cartel Office, which claims a blocking right because of the repercussions such a take-over could have in West Germany, is clearly opposed to the deal as it stands.

The West German companies RWE, Preussenelektra and Bayernwerk want to take a controlling stake in electricity supply and distribution in exchange for pumping in billions of D-Marks in investment to bring the East German system up to western levels of efficiency and environmental protection.

They have the support of the East German Energy and Environment ministries, which had been hoping to sign a deal last week. Against the deal, as currently structured, are the East German Cartel Office (part of the Economics Ministry), its West German counterpart and the Bonn Economics Ministry.

The changes required by the West German Cartel Office may not be that rigorous but will at least require that the deal is opened up to other West German utilities. "In its present form this is just a licence to print money", said one official yesterday.

The Economics Ministry in Bonn and the West German Cartel Office are keen to promote separation of electricity production and distribution, as in the UK and the Netherlands. But political and industrial objections to such a move in West Germany may be too strong.

- It will be possible to phone readily into East Germany as early as the end of 1991, according to Mr Erwin Hardt, a Siemens board member with responsibility for telecommunications. He said that Siemens was delivering 10 exchanges with 100,000 lines.

Albanian deputies declare Kosovo's independence

By Laura Silber in Pristina

ETHNIC Albanian parliamentary deputies yesterday declared Kosovo independent from Serbia, putting the province on a collision course with Yugoslavia's largest republic. Serbia is rushing through a new constitution to strip Kosovo of its autonomy.

More than 100 deputies, standing in sweltering heat outside Kosovo's Parliament, yesterday unanimously adopted a declaration which would give the province, a part of Serbia, a status equal to Yugoslavia's six republics. One deputy said it was tantamount to naming Kosovo a republic, *although the word "republic"* was omitted out of political caution.

The deputies had been locked out of the parliament building by the pro-Serbian authorities. The legal status of the declaration was unclear, as parliament was not officially in session. However, the deputies insisted that it was binding because they had a quorum.

In a further challenge to Serbia, the declaration abolishes the constitutional amendments of March 1989, which severely limited Kosovo's autonomy in favour of Serbia and triggered riots.

Mr Slobodan Milosevic, the Serbian president, called a republic-wide referendum, held yesterday, on whether to adopt a new constitution before multi-party elections are held. But in response to an appeal by Kosovo's opposition groups to boycott the referendum, more than 400 polling stations were closed in the province.

Serbia fears that multi-party *elections would bring to power* an ethnic Albanian government which would seek to join neighbouring Albania.

Kosovo's declaration of political independence raises the stakes of the intense battle being waged between Serbian leaders and ethnic Albanians, who make up 90 per cent of the province's 2m population, for control over Kosovo.

Fallen sport star soars into management firmament

By David Goodhart

IF EAST GERMANY has 10,000 Frank Löfflers there should be little doubt about a second economic miracle. Flashing around the East German town of Erfurt in his black BMW, he represents, at least to the clients of his small management consultancy, the entrepreneurial future.

Back in Bonn, where he spends weekends with his wife and young child, his single-minded pursuit of money and success seems to his affluent West German friends to be a slightly vulgar throw-back to the past, to the West Germany of the 1950s.

But his ambition and his experience of both Germanys puts him in a perfect position to contribute to, and benefit from, economic union. Born in Erfurt, 30 years ago, he was initially a young star of the Communist regime and attended a special school for potential sporting heroes.

At the age of 16 he started saying rude things about the regime and was thrown out without being allowed to complete his vital *Abitur* examination.

After a few years of manual jobs he moved to West Germany at the age of 20 thanks to an "arranged" marriage. He qualified as a lawyer and joined the Yuppie set in Bonn.

Most East Germans who have found a new life in West Germany over the past few years would not dream of going back. But as soon as the Berlin Wall fell last year, Mr Löffler knew he wanted to go back to Erfurt and combine his experience of how things work in East Germany with his knowledge of West German law and enterprise.

He now has a ramshackle office in an Erfurt back street, from where he hands out advice to the new small businessmen of the area on everything from drawing up a West German-style balance sheet to obtaining preferential treatment for fixing their telephones.

Mr Löffler is by temperament an optimist about East German prospects. But he is full of detail about the problems piling up for the small businessman. One of his clients, Mr Wolfgang Flugel, runs a group of co-operatively-owned garages. Mr Flugel is an enterprising man but has inherited a debt of DM300,000 (£100,000) at a time when he needs new equipment.

He also has a political problem: under the rules that governed many small tradesmen's collectives, all workers and managers have one vote in the assembly that takes all important decisions. Two of the three sites are unprofitable and Mr Flugel wants to concentrate on the profitable one, a move which may be voted down by the co-operative.

"My role is to give such people a concept so they can persuade the banks to keep them afloat," says Mr Löffler. It is also his role to have good contacts. There are only five state lawyers in Erfurt able to register new private companies, and he has made sure than one of them is already a good friend.

The Erfurt tax office is a bigger problem. "They are still full of former SED [Communist party] people who believe that all profits belong to them," says Mr Löffler. He has just recruited a new Liberal Party town councillor to help with such political problems.

Other problems, such as converting balance sheets, just require a basic knowledge of accountancy, which few East Germans possess. In the course of examining one company's balance sheet he discovered that a 1967 Trabant car was still being valued at 6,000 East German Marks; the company's real value was about 800,000 Marks rather than the 3m Marks it had in the books.

Mr Löffler predicts that about 80 per cent of new small businesses will go bust, partly because there is a very high concentration in a few areas. "Unfortunately we have got hundreds of people who want to run taxi companies, and at least 10 fitness centres are being planned in Erfurt," he says.

He has no doubts about his own prospects. "There is an enormous lack of generalists like me," he claims, and his local experience gives him an advantage over West German consultants especially in the small business sector. In a few years he aims to be market leader in the former East Germany.

Broadcasting union votes to keep itself exclusive

By Raymond Snoddy

THE EUROPEAN Broadcasting Union, under investigation by the Brussels Commission for alleged anti-competitive practices, has decided not to admit new commercial broadcasters. The club of public service broadcasters responsible among other things for distributing World Cup coverage around Europe, took the decision not to change its policy at its general assembly in Paris over the weekend.

The focus of the Commission investigation is the buying of exclusive rights to important sports events. The EBU, at its congress, did agree to set up a system to sub-license sports rights held by members to the new broadcasters like satellite television operators.

Such sub-licensing would not give rival commercial broadcasters equal rights to the pictures. There would usually be a delay of some hours before non-EBU members would be able to broadcast the coverage.

Mr Jean-Bernard Münch, the Union's secretary general, hopes this will be enough to persuade Brussels to exempt the EBU from competition rules. He is adamant, however, that only those with a "public service mission" – and that includes the commercial ITV companies in Britain – should become members.

"We don't want them [new commercial broadcasters] as members, but we think it is right to collaborate with them on a contractual basis," Mr Münch said.

Arrangements already exist to give commercial broadcasters access to one of the union's other main tasks, the daily exchange of television news.

Mr Münch believes that if all broadcasters were allowed to join, the EBU would no longer be able to carry out its task of acquiring exclusive rights to sports events and would become merely a lobbying organisation for the industry.

Fifteen members, including the BBC, do have a joint venture with Eurosport, one of Mr Rupert Murdoch's satellite channels. That, too, is being investigated by Brussels following a complaint from W.H.Smith's Screensport.

The general assembly, which ended yesterday, also decided to strengthen its collaboration with the Prague-based International Radio and Television Organisation. As part of this policy the broadcasting organisations of Hungary, Poland and Czechoslovakia were accepted as associate members.

Big pay offer to Brussels air controllers

By Lucy Kellaway in Brussels

BRUSSELS air traffic controllers have returned to work after one of the quickest and most successful strikes in Belgian history.

After two days of pandemonium at Zaventum airport at the end of last week – with no aircraft moving at all – the Government capitulated with a pay rise offer of 24 per cent over two years, as long as there are no strikes during the period.

The strike came as Zaventum is embarking on a five-year expansion programme, designed to make it one of Europe's best and biggest airports.

Economists fear that the extent and rapidity of the air traffic controllers' settlement will whip up expectations in other sectors in the two-year wage round which begins this autumn.

It may also further harden the position of the teachers in the French part of Belgium who have been on strike since the beginning of the summer over a wage increase of about 2 per cent in real terms.

The air traffic controllers' deal, which compares with an inflation rate of some 3 per cent, is seen by some as a special case. It makes up most of the differences in levels of pay earned by their counterparts at other European airports, who receive 30 per cent more on average.

Walesa seeks to show unity of Solidarity

By Christopher Bobinski in Warsaw

MR LECH WALESA, the Solidarity leader, has invited Mr Tadeusz Mazowiecki, the Polish Prime Minister, and other Solidarity leaders to the Gdansk shipyard next Sunday to demonstrate the movement's unity after the factional strife of the past few weeks.

The invitation came after Poland's civic committees, the Solidarity movement's political wing, showed at the weekend that they had no wish to see any split in their ranks at the national level and that Mr Lech Walesa, their leader, maintained their loyalty.

The message was made clear at two meetings in Warsaw at the weekend the outcome of which leaves Mr Walesa in a position to dictate terms to his critics inside the movement.

One meeting was called by Mr Walesa himself as he sought to maintain the status quo and the other by supporters of Mr Mazowiecki.

The Prime Minister's allies wanted to build a political party on the basis of the civic committees as a counter to Mr Walesa's presidential ambitions.

The great majority of the committee delegates chose to attend both meetings merely to demonstrate unity around Mr Walesa. At the same time the civic committee activists have also shown that they do not want to have anything to do with other new political parties.

Mr Walesa has been saying the development of fledgling movements is crucial for the future of democracy and that he wants the civic committees to encourage rather than act as rivals to them.

Mr Walesa has been careful to deny that he represents a threat to democracy and has made great play with the charge that it was the proponents of one Solidarity party of government who risked establishing a new dictatorship.

However, the events of the past two days have strengthened Mr Walesa's political hand and leave him in control of the civic committees which are intent as ever on remaining one movement united around the Solidarity leader.

A SENIOR World Bank official has urged the Polish Government to speed up the construction of market institutions to counter the country's present near 30 per cent drop in industrial output.

Mr Willi Wapenhans, a deputy chairman at the World Bank yesterday praised the Polish authorities at the signing of a $250m loan for the country's gas industry for their success in bringing down inflation as well as achieving a balance of payments and budget surplus so far this year.

But he said: "I think we have to be realistic and see the very severe contraction of the economy." Recovery, he said "is critically dependent on putting in place the instruments and mechanisms with which you operate a market economy".

"It is in this area we would urge even more rapid action," he said, specifying changes in the banking system as well as the need for "more effective competition" a reference to privatisation.

Meanwhile the World Bank yesterday opened its first permanent office in eastern Europe in Warsaw.

Group of 24 to spurn Romania over aid

EC officials were in Bucharest yesterday and are expected to report their latest assessment of Romania's eligibility for western aid to ministers of the Group of 24 donor-countries in Brussels tomorrow, David Buchan reports.

The Brussels Commission, which co-ordinates work of the G-24, has effectively ensured that tomorrow's meeting will cold-shoulder Romania because of last month's tactics in quelling demonstrations. The Commission has not invited Romania to join Czechoslovakia, Bulgaria, Yugoslavia and East Germany in sending ministers to Brussels tomorrow.

To keep contact with Bucharest, a mission has been organised by Ireland, Italy and Luxembourg, as past, present and future presidencies of the EC Council of Ministers.

Soviet party congress opens to the sound of blunt warnings

By Quentin Peel in Moscow

IF ANY doubted that the fur *would fly at the 28th Soviet* Communist Party Congress, they barely had to wait five minutes before the first bloody attack was launched.

Mr Vladimir Bludov from the bleak gold-mining, missile-strewn peninsula of Magadan, in deepest Siberia, was the first delegate on his feet, with a blunt message.

He called for the resignation of the entire ruling Politburo, and its disqualification along with the rest of the Central Committee – all the great and good in the Party – from any of the posts of the congress. The reason, he said, was their failure to "fulfil the food programme", let alone carry out any of the decisions of the last party conference and the 27th congress.

President Mikhail Gorbachev did not blink.

"I am sure we will come back to this issue," he said. "But for now, let us get on with the agenda."

Then the worthy delegates from the Baltic republic of Estonia rushed in to air their deep divisions in public, for the party there has split in two, without quite admitting it yet. So the Russian speakers wanted one man on the presidium, and the Estonians another, with the result that they all got two to make up for it.

And then Mr Yuri Boldyrev, an arch-radical from Leningrad who is publicly committed to splitting the party, demanded a debate on 73 years of one-party rule in the Soviet Union, on *"the political responsibility of* the Communist Party towards the people".

There was no doubt that what he had in mind was something like an instant Nuremberg trial, as the demonstrators demanded outside the Kremlin: "For crimes against the people, bring the Communist Party to justice," according to one placard waved as the party men swept by.

The real radicals in the congress are in a tiny minority – with perhaps little more than 100 of the 4,657 – yet Mr Boldyrev got more than 1,000 votes for his proposition, suggesting that many on the floor might not have quite understood what he intended.

So when it came to calling for a debate on party property *he spelt it out: "I am in favour* of the wholesale nationalisation of all the property of the party," he declared. But he did not bother even to call for a vote.

There was an air of unreality about the first day's debate, a skirmishing around positions as the combatants for the coming battle dug themselves in.

It was Mr Gorbachev's day, for the centre-piece was his big report on the past four years of perestroika – as well as an attempt to see some way ahead through the smoke of battle.

Half of it was vintage Gorbachev, lecturing, hectoring, denouncing and demanding, giving no inch to the conservative ranks of his party colleagues in his demand to speed up reforms, in complete com*mand of his subject and the* huge occasion.

For the rest of the speech he was a less certain figure, trying to fudge the party rules to make them more acceptable to the democrats, without alienating the party faithful. He condemned the party for its failure to give a proper voice to Soviet women, for all its rhetoric of egalitarianism – only 7.5 per cent of the congress are women – and all he got in response was a lot of smug murmuring from the floor.

And when it was all over, the party leader got only the most cursory ovation – barely five seconds, with all the delegates firmly in their seats.

The congress is looking for blood, although delegates are not quite sure it is the presi*dent himself they* are after.

They have demanded, and won, the right to interrogate all the members of the Politburo – so that radicals can grill Mr Yegor Ligachev, the arch-conservative, and the conservatives can let fly at Mr Eduard Shevardnadze, the Foreign Minister, Mr Alexander Yakovlev, and Mr Vadim Medvedev, the party leader's closest allies.

That was the first setback for Mr Gorbachev. Yet everything is still to fight for.

"There are those who claim that perestroika is to blame for all our present troubles," he declared, looking at one and all. "Forgive me for being blunt, but that is simply rubbish."

Correction

Sir William Ryrie

A news story from Warsaw in yesterday's Financial Times gave the name of Sir William Ryrie, head of the International Finance Corporation, incorrectly.

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WORLD TRADE NEWS

Bush team greets farm trade reform compromise plans

By Peter Riddell in Washington, Peter Norman in London and Tim Dickson in Brussels

THE Bush Administration yesterday welcomed compromise proposals for world farm trade reform being circulated as a means of breaking the deadlock between the EC and the US in the multilateral Uruguay Round trade talks.

But the EC response to the draft proposals tabled by Mr Art de Zeeuw, chairman of the Gatt group negotiating agriculture in the Round, was at best lukewarm and at worst negative. The proposals outlined ways of cutting government payments to farmers, lowering barriers to foreign food imports and cutting export subsidies more deeply than other farm aid.

EC officials were understood to be dismayed that farm export subsidies, an issue on which the EC has been defensive and the US aggressive of late, had been singled out for special attack. No formal EC comment is expected until the paper has been fully studied, but the fact that certain key elements of the EC's negotiating proposals earlier this year had not been taken up caused disappointment.

In Washington, Mrs Carla Hills, US Trade Representative, said the Gatt paper provided "a good framework for negotiations", but, noting "plus and minus" in the proposals, she did not want to negotiate publicly with Mr de Zeeuw.

There seems little progress so far in finding a compromise formula for the communiqué to be issued after next week's summit in Houston, Texas, of the Group of Seven (G7) industrial countries. This follows a weekend meeting of the "sherpas", or personal representatives of the leaders.

A warning came yesterday from Mr Richard McCormack, US Under-Secretary of State for Economic and Agricultural Affairs and a G7 "sherpa", that it was an "absolute certainty" that the Uruguay Round would fail if no agreement was reached on liberalising farm trade.

Mr McCormack said discussions in Houston would be "very difficult" unless the EC modified its position. "Real change" had to occur in market access for US farm products, along with changes in the EC export subsidy regime.

The EC idea of cutting farm supports with the aid of the so-called aggregate measure of support (AMS) would bring no net improvement in access to the EC market for the US or the Cairns Group farm-exporting countries. President Bush would not be able to push any trade liberalisation package that did not include agriculture through the US Senate, while the US was running a $100bn (£58bn)-a-year trade deficit.

ABB locomotives order

ASEA BROWN Boveri (ABB), Europe's biggest electrical engineering group, has won three contracts worth a total $503m (£292m) for railway locomotives, it said in Zurich yesterday, William Dullforce reports from Geneva.

The biggest, worth $367m, comes from Swiss Railways, with an order for 75 locomotives with a consortium led by ABB Verkehrstechnik. These SBB 460 locomotives will triple capacity on Swiss Railways' "piggy-back" service for transporting heavy lorries by rail across the Alps on the Gotthard tunnel route.

They will have a maximum speed of 230 kph. Delivery will begin in 1992. Swiss Railways has an option for another 19 locomotives. In addition, the Danish State Railway has placed an order worth $110m for 17 regional trains with ABB Traction of Sweden and ABB Scandia of Denmark. Delivery will take place in 1993 when a new tunnel under Denmark's Great Belt should be finished.

British Rail has ordered 20 Class 92 locomotives worth $26m with an option on another 40 from a consortium including ABB, Brel and Brush Electrical Machines.

US attack launched on Canada beer policies

By Bernard Simon in Toronto

THE US has revived international displeasure at protection of Canada's drinks industry by launching a trade complaint against the beer-marketing policies of Canadian provinces.

The action, announced by Mrs Carla Hills, US Trade Representative, is primarily aimed at rules which discriminate against beer imports from the US.

However, it is also likely to bring further pressure to bear for the dismantling of trade barriers between Canada's provinces, which fragment the market by preventing Canadian brewers from supplying more than one province from any brewery.

The trade action was initiated under a so-called Section 301 petition by G. Heileman Breweries of Wisconsin.

Heileman has sought to export its products to Canada, rather than sign a licensing agreement – as brewers of most leading US brands have done – with a Canadian brewer.

The complaints allege distribution and listing restrictions as well as discriminatory pricing. Imported beers are marketed by provincial government agencies, which have a monopoly on liquor distribution.

The Canadian brewing industry, which markets its products through industry-owned outlets, had earlier threatened to bring an anti-dumping action against Heileman.

The General Agreement on Tariffs and Trade (Gatt) two years ago called on Canada to lower barriers to beer and wine imports, in response to a complaint by the European Community.

The provinces have already begun moving towards less discriminatory mark-ups on wine, but they have so far failed to come to an agreement on beer.

According to Statistics Canada, consumption of imported beers jumped by 34 per cent in the year to March 31, 1989. This compared with a 1 per cent drop in sales of Canadian-made beer.

Rally around ailing trade talks

Uruguay Round wins friends as collapse threatens, writes Nancy Dunne

AS THE worsening of a patient's condition draws friends and family to rally around and forget offences and quarrels, so the tortuous negotiations in the Uruguay Round have begun to prompt organised concern for the talks' well-being.

Five years ago, little good was said in Washington of the General Agreement on Tariffs and Trade. Complaints centred on the ineffectiveness of the dispute settlement mechanism and the compact's increasing irrelevance. As the US trade deficit soared to $150bn, quotas proliferated under the guise of "voluntary" restraint agreements, and so did demands for bilateral sanctions.

The mood has begun to change. Perhaps it is a sensitivity to the patient's fight for life – the arduous moves by 97 nations to lower market barriers and expand the coverage of the multinational trading rules – or perhaps it is the headlong rush of the embryonic democracies in eastern Europe and Latin America to embrace the free market.

It could be, too, the persistent refusal of President George Bush's Administration to impose bilateral sanctions, no matter what the 1988 trade law requires, on the assumption that, for this year at least, the Round is the only game in town.

Or it may be that the relentless warnings that the Round's failure would mean a disastrous contraction of trade within bilateral or regional blocs and the outbreak of dozens of trade wars.

"Without improved disciplines," Mr Donald Fites, president of Caterpillar, told a recent trade conference, "anti-dumping actions could become the international protectionist weapon of choice of the 1990s." If the round fails, then everyone will pay the price – trade lawyers, perhaps, excepted.

Thus, as the December deadline for the Round's conclusion approaches, attention has begun to shift to the Houston economic summit next week where President Bush placed the Round as a priority on the agenda.

Mrs Carla Hills, who will be only the second US Trade Representative to attend a summit, is seeking to widen the focus from US-EC differences over agriculture by stressing the fact that up to 40 nations may walk out if there is no farm trade reform.

Also in Houston will be representatives from the Eminent Persons Group, which includes former Senator Bill Brock, Lord Young, the former UK trade and industry secretary and new chairman of Cable and Wireless, and Mr Paul Jolles, board chairman of Nestlé.

The EPG, which was formed to push the Round to conclusion, will urge leaders of the industrialised nations to give their negotiators the mandate to make the necessary concessions to finish the agreement frameworks on schedule.

Brock: to lobby summiteers

The US business community has begun to organise, seeking to convince Congress that a good package of reforms must win acceptance. More than 14,000 companies have joined the MTN Coalition of companies with an interest in the multi-lateral trade negotiations to build support among the American public. Mr Harry Freeman, executive director of the MTN, said that if the Round was to conclude successfully, the leaders should make the big political decisions, then give the trade negotiators the authority to work out the details, said Mr Freeman.

Conferences on the Round have been proliferating. One held recently in New York provided a forum for the demands of US business that the Gatt rules be made relevant in the globalised, interdependent economy.

Mr James Robinson, chairman of American Express, insisted that the final agreement on trade in services "must be spelled out by the end of the Round, not left to be worked out after it is over".

He said: "Just as tariff negotiations result in specific and immediate tariff cuts, there should be specific, immediate reductions in barriers to services trade."

From the flag-loving Bush Administration came the admission by Mr Roger Porter, the President's assistant for economic and domestic policy, that the increasing interdependence of the world economy had reduced the power of sovereign governments.

The implication was that sovereignty would have to be yielded in favour of a strong dispute settlement mechanism and that a deal could be worked out on demands that the US Administration forgo use of unilateral action under Section 301 of US Trade Act.

"The old notions of nations, companies and markets rigidly defined by national borders and subject to unchecked sovereign government power is outdated and dangerous," Mr Porter said. "The logic of economic interdependence is acceptance of greater constraints on government action and greater international co-operation."

Cairns Group set for vital farm statement

MINISTERS from the 14 farm-exporting countries forming the Cairns Group are expected to issue an important political declaration on the status of world farm trade reform talks, after a three-day meeting in Santiago, Chile, opening tomorrow, William Dullforce reports from Geneva.

They will consider the draft text of a farm reform programme tabled yesterday in Geneva by Mr Art de Zeeuw, chairman of the group negotiating on agriculture in Gatt's Uruguay Round. The proposed programme aims to break the US-EC deadlock.

The Cairns group, co-ordinated by Australia, is the third major force in the farm talks alongside the US and EC. Its other members are Argentina, Australia, Brazil, Canada, Chile, Colombia, Fiji, Hungary, Indonesia, Malaysia, Philippines, New Zealand, Thailand and Uruguay.

Poland has special observer status at the Santiago meeting, where it will be represented by Mr Andrzej Wojcik, Secretary of State for Foreign Economic Relations. Before leaving Canberra, Mr Neal Blewett, Australia's Trade Negotiations Minister, who will head the meeting in Santiago, said the group aimed to send a firm farm-reform message to the Group of Seven (G7) industrial powers' summit at Houston, Texas, next week.

The message would also go to the EC and Geneva, where a Gatt Trade Negotiations Committee (TNC) meeting opens on July 23. Cairns Group negotiators in Geneva said they feared time was running out for a successful end to the farm talks.

After the US and EC failed to agree at the Organisation for Economic Co-operation and Development's ministerial meeting in May, on how to proceed in the farm talks, it was imperative the G7 summit should give firm guidelines and inject some urgency, negotiators said. Canada presents the Cairns Group viewpoint at the G7 summits.

It is thought the Cairns ministers may decide to generate a crisis at the TNC meeting at end-July, by blocking action on all other matters under discussion in the Uruguay Round until they are satisfied on the farm issue.

The group's South American members achieved this at the Round's mid-term ministerial review in Montreal in December, 1988. But they are unlikely to repeat the tactic, if they can persuade the US and the four EC nations represented at the summit to accept the de Zeeuw draft as a basis for a farm accord by the Uruguay Round's December deadline.

Australia, NZ start talks to harmonise services

AUSTRALIA and New Zealand have opened talks in Melbourne aimed at harmonising services, following completion of the Closer Economic Relationship (CER) package at the weekend, Dai Hayward reports from Wellington.

The new phase of the agreement swept away final tariffs, import curbs and barriers on goods and services. It was welcomed by Mr Bob Hawke, Australian Prime Minister, and Mr Geoffrey Palmer, his New Zealand counterpart, yesterday. "Our future lies in open economies trading with each other in a free and fair way," a statement said.

Talks this week will centre on moves to harmonise legal and accounting practices, tax administration and access to each country's aviation, shipping and telecoms services. The issues are expected to be resolved by 1992, when the next CER review is due. "We are now looking at telecommunications and aviation," Mr Hawke said yesterday.

New Zealand wants to push on with remaining reforms and has expressed impatience with what is seen as Australian tardiness. But Australia is conscious of its obligations under other trade pacts, especially with Japan.

Investment is also on the agenda. At present, this offers no problem, because of the level of NZ investment in Australia, where, Mr Mike Moore, NZ Trade Minister says, one New Zealand company owns more real estate in Sydney than all Japanese investors combined. But Wellington says this could change under a new Australian government with whom no formal agreement existed.

Virtually no curbs exist on Australian investment in New Zealand, as shown in the number of Australian companies taking substantial stakes in many NZ industries.

CER has achieved a free trade area faster than expected. Since 1983, New Zealand exports to Australia have risen 170 per cent, with Australian exports to New Zealand up 80 per cent. New Zealand has reduced its balance of trade ratio from 4-to-1 in Australia's favour to parity, with each country selling goods worth NZ$2bn (£675m) to the other.

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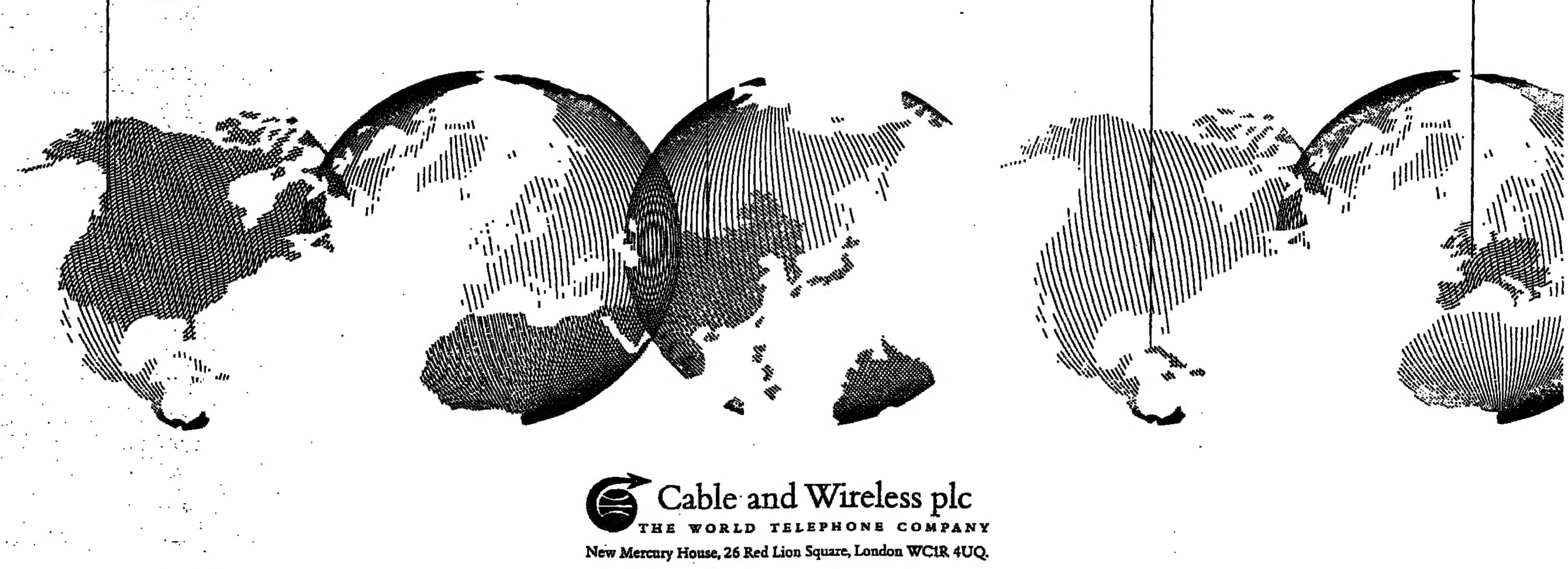

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Victoria planning tighter banking law after failures

By Kevin Brown in Melbourne

THE state government of Victoria announced plans to restructure its banking law yesterday as the political fallout from the failure of three building societies began to spread.

Mr John Cain, the Labor premier, said legislation would be tabled to protect depositors from future collapses by requiring the remaining 16 building societies to merge or acquire banking licences.

In the meantime, the state government has arranged a line of credit with five big banks, backed by the Reserve Bank of Australia, to support any other societies which face short-term liquidity problems.

However, the government is refusing to accept legal or moral liability for the crash of the Pyramid, Geelong and Countrywide building societies, all subsidiaries of the privately-owned Farrow Corporation.

The three societies have been closed for a week since the state government put in an administrator when the Farrow Corporation's liquid funds fell below the statutory limit of 7.5 per cent of total assets.

The closure has frozen deposits estimated at more than A$2bn (£900m) belonging to around 200,000 depositors. The administrator is trying to sell the three societies separately, but analysts say the return to investors is unlikely to be more than 50 cents on the dollar.

Farrow Corporation is believed to have run into trouble after diversifying away from housing loans to lower-margin commercial lending.

Rumours about the group's financial health began to surface early this year, but a run on the societies in February stopped after the state government said there was "no reason for people to withdraw their funds".

The state government is under intense pressure from depositors to bail out the group, and could also face legal action from depositors who thought the February statement amounted to a government guarantee.

The government has been dogged by financial problems since narrowly winning the state election last year, and has lost popularity rapidly since announcing that losses incurred by the State Bank of Victoria would have to be met from tax revenue.

The Farrow group collapse provides the Liberal opposition with further means to attack the government's credibility, especially since the loss of marginal seats in Geelong could cost Labor the next election.

However, the support of the big banks and the Reserve Bank appeared to have averted any threat to the Victorian financial system.

The Farrow collapse is unlikely to have repercussions outside Victoria because of the different regulations applying in other states.

ANC strike call gets massive backing

By Patti Waldmeir in Johannesburg

SOUTH African blacks stayed away from work and schools yesterday after the African National Congress (ANC) called for a general strike in protest at faction-fighting between rival black groups in Natal province.

The 24-hour strike, which appears to have been supported by a majority of blacks in most big centres, was staged by the ANC and its affiliates to highlight concern over violence in Natal which has left 4,000 people dead since 1986. Organisers said 3m took part but this could not be independently confirmed.

The ANC-affiliated Congress of South African Trade Unions (Cosatu), which called the strike, said two-thirds of black workers stayed away from work in Natal. Police put the figure at 60 per cent, and said intimidation had caused many people to observe the stayaway. The strike was also well supported in and around Johannesburg and Pretoria.

Yesterday's action, which is to be followed by a week of protests, appears to be an attempt to isolate Chief Mangosuthu Buthelezi, head of the Inkatha political movement, whose supporters have been fighting the ANC and Cosatu in Natal. ANC leaders condemn Chief Buthelezi, leader of the KwaZulu black homeland, for collaborating with Pretoria and blame him for inflaming violence.

The strike is aimed at putting pressure on Pretoria to end the Natal violence – including disbanding the KwaZulu police force, which Chief Buthelezi heads, as well as the homeland itself. Community groups accuse the KwaZulu police of favouring Inkatha in the fighting.

However, a senior ANC leader in Natal has highlighted the risks of such a strategy. Mr Archie Gumede, a member of the ANC team at recent negotiations with Pretoria, told the Johannesburg Daily Mail newspaper that the stayaway was "a first class recipe for intransigence on the part of Buthelezi... and a first class recipe for the continued killing of people." He condemned the policy of isolating Chief Buthelezi: "I can't see that you can achieve this in Natal where Buthelezi has a genuine constituency."

Police and the army kept a high profile in Natal during the stayaway, but reported only isolated violence.

Mandela urges Britain to talk with the IRA

By Kieran Cooke in Dublin and Michael Holman in London

MR Nelson Mandela yesterday called on Britain and the Irish Republican Army to negotiate an end to the conflict in Northern Ireland.

"People are slaughtering each other when they could sit down and address the problems in a peaceful manner," the deputy president of the African National Council (ANC) told a news conference at Dublin Castle.

Although Mr Mandela's comments angered many Conservative Party MPs, they are not expected to play any significant part in his talks tomorrow in London with Mrs Margaret Thatcher, the British Prime Minister.

British officials said last night that they saw Mr Mandela's views on the IRA as peripheral to the issues that Mrs Thatcher wished to raise.

Mr Mandela, who was due to arrive in London last night for a two-day visit, was polite but firm when questioned further. "I am stating what I believe in. It is up to you to interpret what I say," he said.

The ANC leader was in Dublin to receive the freedom of the city and to thank Ireland for what he called its "unswerving support" in the battle against apartheid.

But Mr Mandela, tired after an exhausting US tour, found himself being questioned at a news conference on his attitude towards the IRA.

Had the ANC ever had meetings with the IRA? Certainly not he replied. Was he sympathetic to the IRA and its "armed struggle"?

Mr Mandela chose his words carefully, aware that he was stepping into a political minefield, and no doubt recalling the controversy aroused in the United States by his refusal to repudiate ANC links with Cuba, Libya and the Palestine Liberation Organisation.

"The only way of resolving this conflict and of stopping this mutual slaughter and the tensions that arise between the various goups is to sit down and talk" he said. Clearly Mr Mandela saw parallels between Ireland and South Africa. "What we would like to see is that the British government and the IRA should adopt precisely the line we have taken in regard to our own internal situation."

Mandela: new controversy

The IRA will probably try to use Mr Mandela's words to justify the continuation of its campaign. In a speech to the Dail, the lower house of the Irish Parliament, Mr Mandela drew more parallels between the Irish experience and South Africa.

"We know that the joy with which you have received us and the respect for our dignity you have demonstrated come almost as second nature to a people who were themselves victims of colonial rule for centuries."

In his address, which drew prolonged applause from all sides of the Dail and from a packed public gallery, Mr Mandela talked of the years of Irish struggle against "an unrelenting tyranny".

He asked the Irish people to "stay the course" and help in the battle to rid South Africa of apartheid, thanking Mr Charles Haughey, the Irish Prime Minister, for his strong stand on sanctions. The IRA controversy aside, officials on both sides accept that it is inevitable that in Mrs Thatcher's talks with Mr Mandela there will be disagreement over two fundamental concerns: the role of violence – the issue which has hitherto made the British Prime Minister keep her distance from the ANC – and the use of sanctions.

Neither party is likely to give ground. Mr Mandela will defend what he calls "the armed struggle", and argue the case for economic pressure on Pretoria, as vigorously as Mrs Thatcher will condemn both strategies.

Over the years Mrs Thatcher has flatly rejected Foreign Office suggestions that a meeting with senior ANC officials, such as its president Mr Oliver Tambo, would be helpful. Such a meeting, they have suggested, would signal to Pretoria the urgent need for talks with South Africa's leading black political party.

On one occasion a senior British minister (Sir Geoffrey Howe, then foreign secretary) did meet ANC leaders, and that was in Lusaka in 1986. But Downing Street stressed then, and subsequently, that Sir Geoffrey was acting as the leader of a European Community South African peace mission, and was not making contact on behalf of Her Majesty's Government.

As far as Mrs Thatcher was concerned, the ANC's military campaign against white rule made it "a typical terrorist organisation" – the phrase she used at the 1987 Commonwealth Conference in Vancouver.

But her stance and language have subsequently changed.

Last July, the Prime Minister met Mrs Albertina Sisulu, co-president of the United Democratic Front, the anti-apartheid alliance known to be closely allied with the then-banned ANC. And while Mrs Thatcher used to call on the ANC to renounce violence, the phrase more often used now is "suspend violence".

Mrs Thatcher is also more convinced than ever that economic pressures do more harm than good, increasing black unemployment and hardening white attitudes.

But British officials hope that some common ground can be found. They are hoping that Mr Mandela will acknowledge the merits of Britain's university scholarship programme for about 1,000 black South Africans, and the value of the assistance given to Mozambique and other frontline states.

Back in South Africa he is now a mere mortal

A daunting agenda awaits the once messianic ANC leader, writes Patti Waldmeir

THE US, Ireland, and even cynical Britain may still be inclined to worship Mr Nelson Mandela, deputy president of the African National Congress (ANC) and apartheid's most celebrated victim.

But for South Africans, hero worship was a luxury abandoned soon after Mr Mandela left prison on February 11. His martyred past commands respect, and the virtue of his cause is undeniable; but what matters now is the ANC leader's skill as a politician.

As soon as Mr Mandela returns in a fortnight from his six-week tour of western and African capitals – his self-image bolstered by popular adulation, and the coffers of the ANC filled with donations – that skill will again be put to the test.

Over the next months, Mr Mandela must unite his colleagues in the ANC – and the radical youth – behind a decision to abandon the armed struggle, without which constitutional negotiations cannot begin. He must seek an economic policy which will at once reassure business and begin to meet black aspirations. And he must look for creative constitutional solutions to South Africa's racial problems.

That is an agenda to tax the reputation of even this vaunted hero. But if there is to be a speedy and peaceful conclusion to South Africa's crisis, Mr Mandela will have to pull it off, in partnership with Mr F W de Klerk, the president. Without Mr Mandela, the prospects for creating a multi-racial and democratic political system appear bleak.

Already, in the five months since the ANC leader's 27-year incarceration ended, he has taken steps towards that end: steadily nudging – and where necessary, dragging – the ANC towards formal negotiations with Pretoria on a new constitution.

As some ANC leaders have become intoxicated with the notion of an imminent seizure of power – their hopes and expectations raised by concessions from the Government, such as the unbanning of the ANC and the release of political prisoners – Mr Mandela has spoken the language of pragmatism.

Last April for example, when he addressed the South African Youth Congress, a radical youth organisation which has little patience with moderates, Mr Mandela pointedly changed the wording of a speech written for him by ANC officials. The speech referred to the "transfer of power". Mr Mandela spoke instead of power-sharing.

And the ANC leader has repeatedly raised the prospect of guarantees for white rights under a majority government – likely to be the most contentious issue in the political negotiations. ANC officials look embarrassed or annoyed when asked about Mr Mandela's reference, immediately after leaving jail, to "structural guarantees for whites".

The ANC's official position is that linguistic, religious and cultural rights will be protected on a non-racial basis. But Mr Mandela is steadily modifying this position through his public pronouncements; when talks begin, other ANC leaders may find it difficult to disavow these statements and stick to their own harder line.

But if Mr Mandela has largely managed to maintain his authority over the ANC leadership, his status in the wider black community remains in question. For though he uses every opportunity to urge black students to return to school – indeed, this was the theme of his first public rally in Soweto, 48 hours after leaving prison – the schools boycott continues.

His plea to warring factions in Natal to close down the region's "death factories" was also ignored. The ANC's current policy of isolating Chief Mangosuthu Buthelezi, the Zulu leader whose supporters are fighting ANC supporters in Natal, could easily inflame tensions further. Mr Mandela himself has exacerbated the situation by criticising the ultra-sensitive Chief Buthelezi in public for the first time; previously he had gone to great lengths to avoid provoking him.

The recent furore in western capitals over the ANC leader's outspoken defence of violence highlights that his is, after all, a near-impossible task. Talk of armed struggle frightens South African whites; yet for Mr Mandela to abandon armed rhetoric without further concessions from Pretoria would alienate radical blacks, especially the young.

Economic policy poses similar problems. Mr Mandela has recently tried to calm businessmen's fears about nationalisation, telling the US Congress last week that the ANC held "no ideological position that dictates that it must adopt a policy of nationalisation". But he makes clear that the state will play a more active role in a post-apartheid economy.

Business is welcome to interpret these comments as guaranteeing the future of capitalism; while the radical youth can see them as promising that the state will dominate.

For the moment, Mr Mandela can carry on trying to be all things to all men. But when it comes to the crunch in the constitutional negotiations due to begin soon, this will become impossible. Only then will South Africa know whether the essentially moderate Mr Mandela can carry the day.

India attempts to end investment controversy

By K.K. Sharma in New Delhi

THE INDIAN cabinet has reiterated its decision to permit foreign investment and remove bureaucratic controls on industry in an attempt to stem growing dissension within the National Front government.

The statement is seen as reinforcing the commitment by Mr V.P. Singh, the Prime Minister, and his cabinet to the process of liberalisation under which substantial deregulation has already taken place.

Controversy over the government's industrial policy has been raging for the past fortnight following sharp criticism of the role of foreign companies by Mr Chandra Shekhar, a leading member of the ruling Janata Dal who aspires to the premiership.

Mr Shekhar has attacked the industrial policy as a "sell-out to multinationals", an allegation he repeated at a press conference at the weekend. He has called for a national debate on what he claimed was the adoption of policies dictated by the World Bank.

The controversy has deepened since details of a note prepared by a senior official in the prime minister's office were leaked. Among other things, the note recommended that foreign companies should be permitted majority equity participation in joint ventures.

A three-page statement issued by the cabinet after a day-long discussion on the controversy on Sunday is mostly couched in general terms, but clearly endorses the changes in industrial policy.

On the issue of foreign investment – which the policy allows on an automatic basis provided equity participation is limited to 40 per cent – the statement said: "Such investment will continue to be allowed within the framework of national priorities, especially for the purpose of modernisation, meeting critical gaps in technology and production and for boosting exports."

Controls on large industrial houses and existing foreign companies, however, remain, and the government has held in abeyance a decision on proposals to ease these.

Jerusalem's Mayor, Mr Teddy Kollek, right, conducting official business yesterday from a pavement café in the city's Arab district to calm Jewish fears about security following a spate of bombings. A bomb in the heart of Jewish West Jerusalem slightly injured three people on Sunday. It was the third explosion in West Jerusalem in just over a month. "I want to set a personal example so that people will once again visit here like before," the Jewish mayor told reporters at Café Himo in the walled Old City's Arab souk.

Taiwan parties agree on need for presidential poll

TAIWAN'S ruling Nationalist Party and its main opposition both expressed support yesterday for introducing popular presidential elections as a key step toward democratic change, AP reports from Taipei.

Delegates from the parties were meeting at an unprecedented National Affairs Conference to seek agreement on a new political system, to replace one that has guaranteed Nationalist rule for the past four decades.

President Lee Teng-hui called the meeting after student demonstrations in March protesting at his election to a six-year term by an electoral college dominated by elderly Nationalist Party members.

Most members of the electoral college last ran in elections on the Chinese mainland shortly before they fled to Taiwan in 1949 with the rest of the Nationalist government, after it lost a civil war to Communist forces. They were subsequently frozen in office to support the Nationalist claim to still be the legitimate government of all China.

The opposition Democratic Progressive Party has long argued that direct presidential elections are necessary to give political power to the native Taiwanese, who account for 85 per cent of the island's 20m people.

Cheng Hsin-hsiung, Nationalist Party deputy secretary general, said the party disagreed with the opposition proposal on presidential elections only over methods.

The opposition party wants to abolish the electoral college and have a direct presidential election before Lee's term ends in 1997. The Nationalists want to transform the electoral college into a symbolic institution that would reflect the popular vote and would reserve a few seats for deputies purportedly representing mainland China.

UN resumes talks on Gulf peace

THE United Nations embarked on a new effort to secure a lasting peace between Iran and Iraq yesterday, encouraged by signs of improving relations between the former Gulf War enemies, Reuter reports from Geneva.

The UN Secretary-General, Mr Javier Pérez de Cuellar, was meeting the Iranian Foreign Minister, Mr Ali Akbar Velayati, last night and the Iraqi Foreign Minister, Mr Tareq Aziz, today.

"I am hopeful in the sense that the atmosphere is much better," Mr Pérez de Cuellar said.

He said an exchange of letters between the presidents of the Gulf neighbours discussing a possible summit had helped, as had Iraqi and other international aid to Iran after the earthquake there on June 21. "I think the exchange of letters has created a much better atmosphere," he said.

Britain in technology joint venture with Bombay group

By Gita Piramal in Bombay

THE British Technology Group (BTG) and Creditcapital Finance Corporation (CFC), a Bombay-based financial institution, are to enter a joint venture to establish India's first commercial technology development and transfer organisation.

This is the first time that BTG, an undertaking of the British government, has entered into a joint venture.

"Today, the main focus at BTG is to reinforce our international operations," said Mr Ian Harvey, BTG's chief executive. Over the last five years, BTG has opened offices in the US, placed a greater emphasis on its European business and started licensing services in the Soviet Union.

A memorandum of understanding has already been signed which sets out the commitment of BTG and CFC to provide Indian industry with appropriate technology to make its products internationally competitive, and to assist, in the longer term, the development and commercialisation of Indian technology.

Jakarta and Peking seek to end diplomatic freeze

By Robin Pauley, Asia Editor

CHINA and Indonesia resumed talks in Peking yesterday aimed at normalising relations, which were frozen 23 years ago.

Mr Ali Alatas, the Indonesian Foreign Minister, and his Chinese counterpart, Qian Qichen, met for the second time in two days to discuss their diplomatic ties, broken off after Indonesia accused China of backing a coup attempt by Communist rebels in 1967.

There was rising hope that Mr Alatas's four-day visit could yield a timetable for restoring relations following Qian's statement on Sunday that renewed ties would raise Peking's relations with South-East Asian nations to a new stage of development.

Progress began when President Suharto of Indonesia raised the subject with Chinese officials at the funeral of Emperor Hirohito of Japan in Tokyo last year.

After the two nations normalise ties, Singapore is expected to follow suit, said diplomats in Peking. China has been anxious to restore ties for some years and has denied any involvement in the 1967 events. But Indonesia has refused to contemplate a warming of relations until recently.

Two-way trade between the countries was $804m (£467m) in 1989. China exported $222.8m in goods to Indonesia. Imports from Indonesia totalled $581.5m.

An important discussion will be the future of Cambodia which is taking on a new urgency as reports mount of further Khmer Rouge guerrilla advances nearer to the capital of Phnom Penh where the government of Hun Sen is looking increasingly fragile.

China has been the most important supporter of the Khmer Rouge but, anxious to improve its poor international reputation on this issue, Peking has been looking for a way to modify its policy without losing face. Indonesia has taken the lead in the search for a peaceful settlement. Mr Alatas was co-chairman of the Paris conference which has been stalled since last August.

Indonesia concerned as Cambodians take to sea

Claire Bolderson reports on a sudden influx of Cambodian boat people and its regional implications

THERE is a new twist in the well-worn saga of the Indochinese refugees and nowhere is it being felt more than in Indonesia where the authorities find themselves reluctant hosts to a sudden influx of Cambodian boat people.

Throughout all the years of war in their country, Cambodian refugees have chosen to make their escape overland into Thailand. Now, however, they are beginning to follow the example set by their Vietnamese neighbours and are taking to the seas.

Since the beginning of the year more than 1,700 Cambodian boat people have washed up on Indonesian shores. They leave Cambodia from the southern port of Khompong Som with the intention, they say, of getting to Australia.

It is not a realistic goal. Given the more than 3,000 miles of rough seas and their small and ill-equipped boats, most of them never make it and end-up instead at Indonesia's refugee camp on the island of Galang, south of Singapore. About 65 per cent of the Cambodians at Galang are young men who say they left their country because of their fear of being drafted into the army to fight Phnom Penh's war with the resistance.

They tell visiting journalists about what they believe is the continuing Vietnamese oppression of the Cambodian people and they talk about their fears that, one day, the Khmer Rouge will again take power.

Ironically, the pressure on Indonesia from Cambodian boat people comes just as the pressure on Hong Kong from Vietnamese boat people has started to ease dramatically. Arrivals in Hong Kong are 80 per cent down on last year. Only a few thousand have so far come to the colony – and contrary to last year's pattern they are mainly from South Vietnam – whereas 34,000 turned up during 1989.

The Cambodians, as a new phenomenon in the region, are not covered by the Comprehensive Plan of Action – the United Nations agreement under which boat people are screened and divided into two categories; economic migrants and political refugees, of which only the latter are entitled to resettlement in another country.

But the Cambodian boat people, known simply at Galang as "displaced persons", insist that they are genuine refugees and they talk of being driven out of their country by what they describe in perfect English as "the prolonged war situation" there.

The Indonesians are not convinced. Mr Ali Alatas, the Indonesian Foreign Minister, and one of the leading figures in recent attempts to end the conflict in Cambodia, says he believes the Cambodian's motivation for setting sail is purely economic.

The belief is apparently shared by Mr Thorvald Stoltenberg, the United Nations High Commissioner for Refugees (UNHCR), who said during a recent visit to Jakarta that he thought the Cambodians were simply seeking a better standard of living abroad.

Mr Stoltenberg also said that the UNHCR would like to see more money spent on development projects in both Vietnam and Cambodia to tackle the root problems of poverty and so discourage people from leaving.

Despite their misgivings the Indonesians have given an assurance that they will continue to take in all boat people, both Cambodian and Vietnamese, who are in difficulty and have nowhere else to go.

But they have also said that if the Cambodians want to go on to Australia and are capable of doing so, they won't be stopped. As Mr Alatas recently said: "How can we say please come to Galang, please stay it's better here?"

That attitude has done much to stir the often troubled waters of Jakarta's relations with Canberra. In the past six months,two boat loads of Cambodians have managed to limp through the Indonesian archipelago and reach north-western Australia.

Reports that they were helped on their way by the Indonesian Navy, which is said to have sold the boat people food and fuel and in one case, to have towed them back out to sea, have sparked a flurry of diplomatic activity between Jakarta and Canberra.

Australia has made it clear that it has no intention of becoming a country of first asylum – a role played up until now by members of the Association of South-East Asian Nations and Hong Kong. Instead, it wants to go on selecting boat people for resettlement from among those screened as refugees in the region's existing camps.

Urgent efforts have therefore been made ,through both the Australian embassy in Jakarta and a visit to Indonesia by Dr Neil Blewett, the Australian Minister for Trade Negotiations, to try to persuade the Indonesian authorities not to allow Cambodians to continue to Australia.

But the Indonesians see things differently. Their camp at Galang which was built to hold 5,000 people, now holds more than 17,000. Last month alone, there were 3,000 new arrivals and with poor sanitation and little available fresh water on the island, Galang is chronically overcrowded.

Most of the boat people there are Vietnamese whose numbers at Galang have been steadily rising because of increasing departures from southern Vietnam and the adoption in Malaysia of a policy of "push-offs" - giving boat people food and water and pushing them back out to sea.

The Indonesian government has made it clear that it will not do the same. It has also said it wants a screening system similar to the one which covers the Vietnamese to be introduced for Cambodians.

Indonesian officials have in addition stated that agreement must be reached urgently on what to do with all those classed as economic migrants and they have made it clear that, particularly with the new tide of Cambodians taking to boats, they feel the international community should now do more to help Indonesia shoulder the burden.

Pace of S&L shutdowns and sales rises sharply

By Peter Riddell, US Editor

THE FEDERAL Government sold or shut down about 155 failed US savings and loans institutions in the April-to-June quarter, the largest liquidation in financial history.

This exceeded the target of 141 for the quarter set by the Resolution Trust Corporation, which handles the rescue, and is a big jump on the sale or closure of just over 50 S&Ls in the previous seven months, since the operation started.

There will now be between 50 and 75 such sales or disposals a quarter.

However, the costs incurred, about $45bn in cash in the second quarter, have substantially increased federal borrowing, complicating current budget talks between the Administration and Congress.

Moreover, while about 207 S&Ls with assets of roughly $50bn have been sold or closed since the rescue began, the continuing high failure rate has meant the authorities are still running 257 failed institutions, only five fewer than when the rescue began last August. Losses on disposals so far are estimated at $26bn.

The disposals under Operation Cleansweep are in many cases heavily qualified, as the purchasers have often just taken over branch networks and deposits, leaving the Government with a large amount of doubtful assets, such as vacant commercial properties and developments.

Many of the deals include terms which allow the buyers to return the assets to the Government if problems like fraud are found.

The net result is that, while the federal government has fulfilled its first priority of safeguarding depositors, it is in the process of becoming the owner of the largest bad property portfolio in the world.

UN-backed group to help tackle Peru debt

By Robert Graham

A WORKING group sponsored by the United Nations has been set up to suggest ways for debt-ridden Peru to normalise relations with the international financial community.

The agreement follows a meeting in New York on Friday under the aegis of Mr Javier Pérez de Cuéllar, the UN secretary-general, attended by Mr Alberto Fujimori, the Peruvian president-elect.

Also in attendance were Mr Michel Camdessus, managing director of the International Monetary Fund, Mr Barber Conable, president of the World Bank, and Mr Enrique Iglesias, head of the Inter-American Development Bank.

Peru has accumulated arrears of $2bn (£1.16bn) to international financial institutions on a total foreign debt of $20bn. Of this, more than $800m is owed to the IMF, which is close to expelling Peru.

Mr Fujimori, who assumes office on July 28, is believed to be anxious to restore relations with the international community as soon as practicable.

This, however, will only be possible via a bridging loan of at least $2bn from friendly countries. One of the principal tasks of the four-man working group is to establish the outlines of a stabilisation programme acceptable to both Mr Fujimori and Peru's creditors.

The position of Japan, from where the 51-year-old future president's parents emigrated, will be vital.

Mr Fujimori is currently in Tokyo to try to squeeze long-term aid and debt forgiveness commitments from the Japanese Government.

Aylwin gets tougher at the top

Leslie Crawford on the Chile President's fighting first four months

Aylwin: growing in stature with each challenge

PRESIDENT Patricio Aylwin's first four months in office have been more of a trial by fire than a honeymoon. The restoration of democracy in Chile left him with a former dictator still at the helm of the army, a painful human rights legacy and a host of social problems bottled up by the former regime.

The new civilian government has also had to establish its credentials with a sceptical business class, which has proved more nervous than the international financial community. Indeed, so far, Mr Alejandro Foxley, the Finance Minister, in London this week on his first European tour, has had a relatively smooth ride from the bankers.

One recent poll in Chile showed almost 80 per cent rated Mr Aylwin's presidency between good and excellent. The president earned the highest marks for his efforts at promoting national reconciliation between civilians and the military, his decision to set up a national commission to investigate past human rights abuses, and the recent raise in the minimum wage.

His weak points were seen as pardons granted to some political prisoners and common criminals, a perceived fear of the armed forces, and insufficient action against an upsurge in terrorist attacks.

Critics have been confounded who believed that the benign, 71-year-old Christian Democrat President Aylwin would be unable to control the left flank of his 13-party coalition, or assert authority over General Augusto Pinochet, who was forced to surrender power on March 11. The coalition has remained solid and the president appears to grow in stature with the general's every challenge.

The military's bitter human rights legacy – recently highlighted by the discovery of mass graves in northern Chile – remains the most explosive issue for the new government. President Aylwin hopes to walk this political tightrope by providing some moral redress to families of the victims, while limiting the scope of human rights trials.

On the economic front, Mr Foxley has more than proved his commitment to conservative macro-economic management. He has won the approval of Congress to raise taxes to cover an unforeseen budget deficit and to allow room for more spending on health, housing and education.

The tax reform bill did not have an easy ride though Congress, and Mr Foxley had to use all his powers of persuasion to convince the conservative opposition that the extra cash would be prudently managed. He expects to end the year with a small surplus and is prepared to save a greater proportion of this if the independent central bank's monetary policies fail to bring down inflation fast enough.

By contrast, after almost five months of negotiations, the unions and employers are as far apart as ever on what aspects of the military's draconian labour code need to be changed. The Confederation of Chilean Industry and Commerce wants to leave things as they stand, arguing that their freedom to hire and fire, and the restrictions on strikes, were a fundamental pillar of Chile's economic recovery.

Chile's main union federation, the Central Unica de Trabajadores (CUT), is pushing for greater job protection and industry-wide collective bargaining, which is currently illegal. The government would like a package of labour reforms to go to Congress with the blessing of both sides, but it is running out of patience.

Debt negotiations are also looming – one of the principal reasons behind Mr Foxley's visit to London. Chile faces a bunching of capital repayments on its $7.2bn (£4.2bn) commercial bank debt in the next three years and it will not be able to meet all its obligations without putting an intolerable strain on its balance of payments.

Mr Eduardo Aninat, the chief debt negotiator, does not want to negotiate on a year-by-year basis. Instead, he is seeking a comprehensive financial package that will allow Chile to plan its long-term development as well as retiming and spreading out the amortisation schedule.

A crucial element in this deal, according to Mr Aninat, is to get "real fresh money" from the banks as a reward for its impeccable servicing record and sound economic management. Negotiations are due to start this month.

It is the central bank, granted independence by the departing military to put it beyond political control, rather than Mr Foxley's economic team, that has been the main target of businessmen's wrath. Chile's economy grew by an unsustainable 10 per cent in 1989, the product of an artificially-engineered boom designed to favour the conservative candidate, Mr Hernan Buchi, in the December elections. Early this year, the central bank jacked up interest rates sharply to rein in activity.

This succeeded in lowering inflation from an annualised rate of more than 30 per cent in the final three months of the military regime to about 25 per cent. But the monetary squeeze gave Chile's booming economy a rude shock. The government hopes GDP will grow by 4.5 per cent this year, but private economists believe 3 per cent will be the upper limit. The central bank denies it over-reacted to the problem, but it has begun to loosen the reins on interest rates.

US managers' economic index rises in June

THE National Association of Purchasing Management's monthly index of economic activity in the US rose to 51.1 per cent in June from 50.7 per cent in May, Reuter reports.

A reading below 50 indicates the manufacturing sector of the US economy generally is declining, while a reading above 50 suggests expansion, according to the NAPM.

It said the manufacturing economy in June registered a third consecutive monthly increase, allowing the second quarter to close on a high note.

The production index rose for the fifth consecutive month, although at a lower rate than in May. New orders also advanced for the fifth month.

Supplier deliveries were slower in June, the first slowdown in that sector in 14 months.

The NAPM said this reflected increased demand and lower inventory levels.

New export orders increased at a more robust rate than in May, while imports declined for a second month. Inventories fell for the 19th consecutive month, although the rate of decline was the lowest since December 1989.

Metalworker strikes test Menem's inflation policy

By Gary Mead in Buenos Aires

ARGENTINA'S most powerful trade union, the Union Obrera Metalurgica (UOM), has launched a week-long campaign of stoppages in support of a 37 per cent wage rise demand, 20 percentage points above an offer from the industry's employers.

The metalworkers' strikes, the first in four years, come at a particularly sensitive moment in President Carlos Menem's attempts to control inflation. May's rate was 15 per cent, a figure unlikely to be improved on in June or July.

President Menem has won short-term economic stability in the last three months by, in part, forcing state-employed workers to accept wage increases beneath inflation.

However, private sector trades unions such as the UOM, with more than 300,000 members, are in no mood for compromise. Strikes are also planned for this week by other private-sector workers, such as bank employees and bus drivers.

The Government has set itself an inflation target of 2 per cent a month between now and year's end. That target, agreed with the International Monetary Fund, unlocked in May a stand-by credit worth $920m (£534.88m) from the fund.

Ministers fear that if the UOM wrings wage concessions these will be passed on to the consumer and will trigger renewed general demand for similar settlements.

At the same time the current recession means that almost a quarter of the 12m working population is officially unemployed or working short hours. Such widespread unemployment has prevented large industrial protests during the first year of the Menem administration, but the UOM's decision to turn to strikes could mark a turning point.

● Argentina has started circulating a new 500,000 austral bank note, worth about £58 at current exchange rates. The new note is coloured black and blue, and is actually an overprinted version of the old 500,000 peso note.

The Government says the new bill will soon be superseded by a newly designed and printed austral note for the same value. Two years ago the highest value note was 100 australs.

Colombia criticises US drug policy

THE US, while praising Colombia's battle against drug traffickers, has given the country little concrete help a newspaper report quoted President Virgilio Barco as saying, AP reports from Bogota.

"The United States has supported us vocally," Mr Barco was quoted in Sunday editions of El Tiempo as saying. "They have said that we are making an important effort, but not much substantial help has been seen yet."

The president did not rule out however, the possibility that the US might still provide Colombia with effective aid to defeat the country's cocaine cartels.The Colombian Government intensified a campaign against drug traffickers after they assassinated a presidential candidate, last August.

Indian chief seeks aid for lobby group

By Christina Lamb in Rio de Janeiro

THE BRAZILIAN offices of several leading multinationals have been playing host to an unlikely visitor over the last fortnight. Chief Aritana of the Yawalapiti tribe has removed his paint and feathers in favour of a "Save the Amazonian jungle" T-shirt to ask for backing to set up an association of Indian tribes from many of the companies most responsible for destroying the rainforest.

One of the senior leaders of the 18 tribes of the Xingu National Park, Chief Aritana explains, "it is time for Indians to create our own lobby group rather than always letting whites speak for us."

His main issue of concern is health. Although the creation of the national park in 1961 was the most ambitious attempt to protect the traditional lifestyle of Brazil's indigenous population, there has been a near-invasion by ecologists, and contact with whites had brought in new diseases such as chicken pox to which the Indians have no resistance.

Chief Aritana hopes that companies such as Siemens and BP will provide funds to enable Indians to set up and be trained to run clinics throughout the Amazon area.

He points out that seriously ill Indians now have to be flown several thousand miles to Brasilia or São Paulo – a traumatic experience and one which is also very costly for FUNAI, the state agency for protecting indigenous peoples.

Chief Aritana's "People of the Palms" tribe have previously received help from Mercedes Benz in the form of trucks, a solar-powered generator from BP and communications equipment from Philips.

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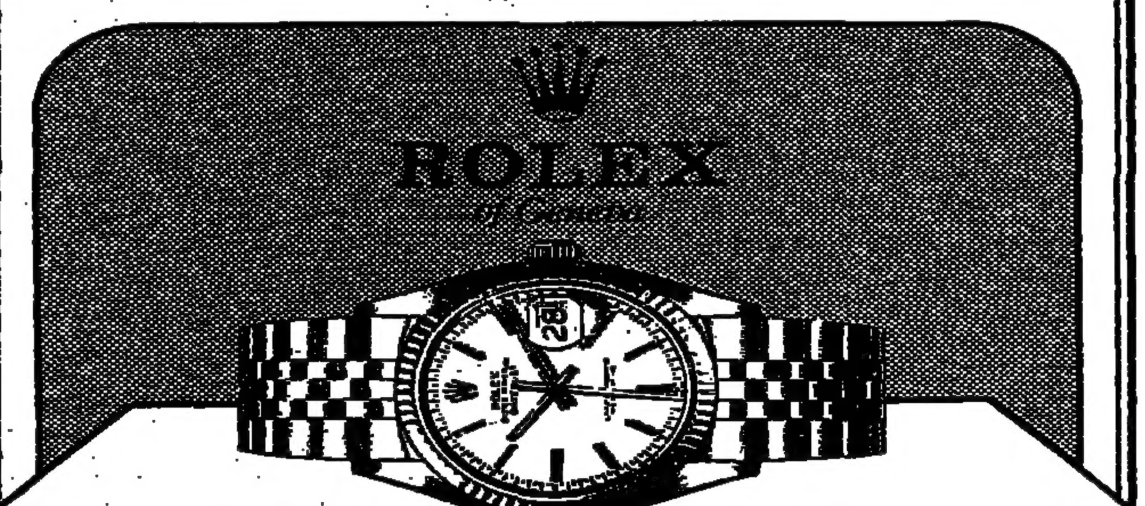

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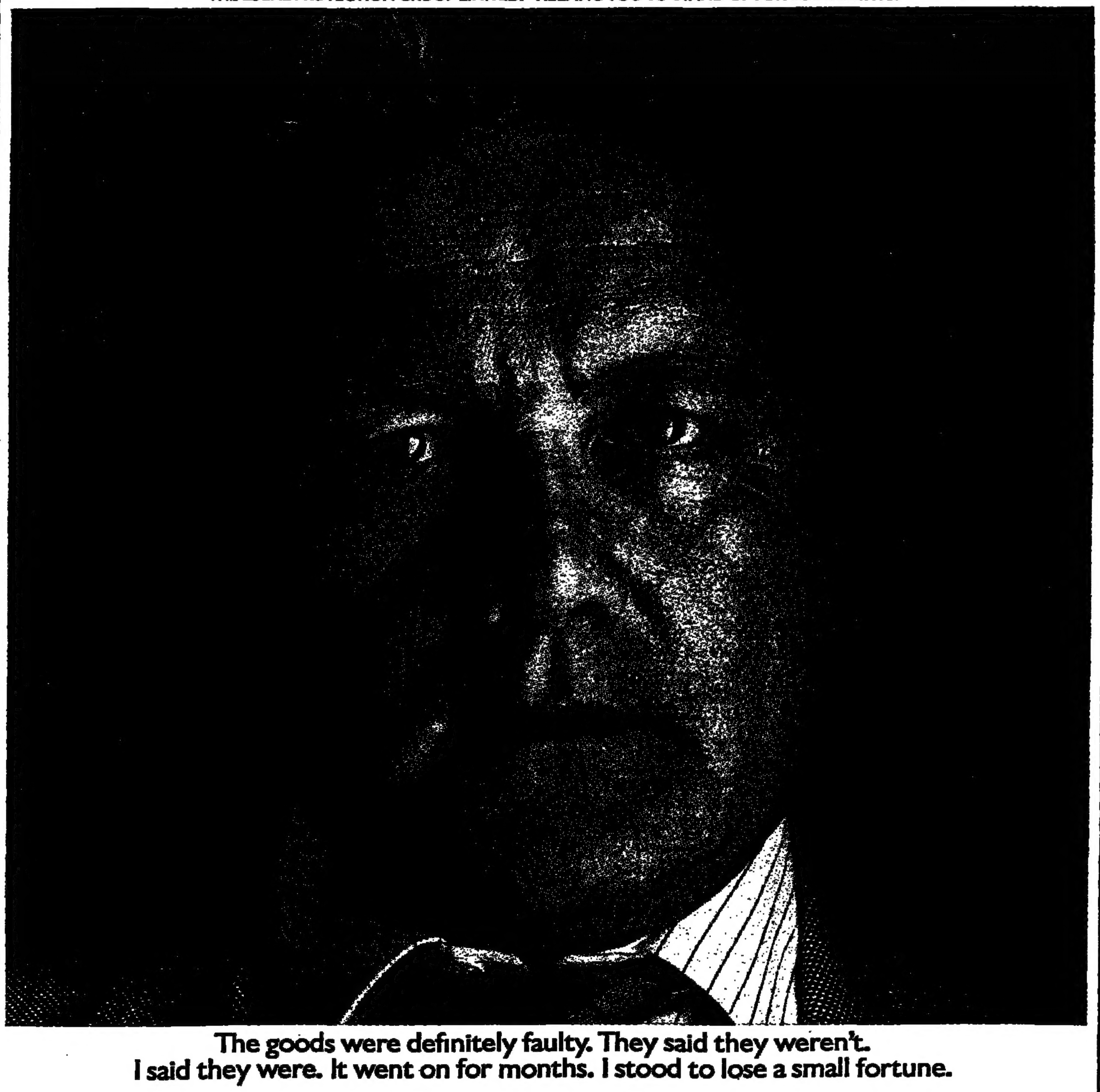

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UK NEWS

An age of reform dawns for Britain's health service

Alan Pike weighs up the problems of converting Europe's largest civilian employer into a business

MR KENNETH Clarke, Health Secretary, has taken the Government's health reforms from manifesto to legislation. It is now up to the hospital and health authority managers to deliver them to patients.

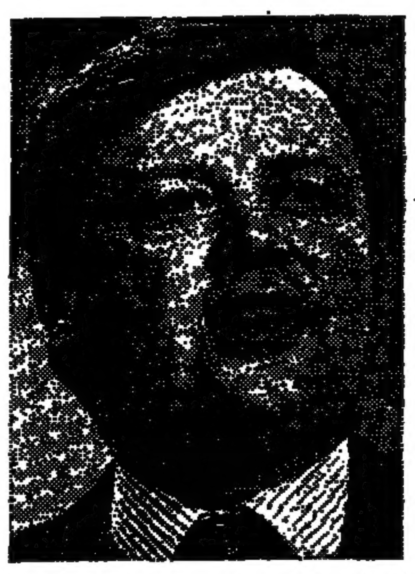
The second task is more demanding than the first. Restructuring the National Health Service (NHS), Europe's largest civilian employer, by April next year is a management challenge with few equals.

All other NHS reorganisations since the service was launched in 1948 by Mr Aneurin Bevan, the Labour politician, have been largely confined to its bureaucratic structure. This one is designed to change its culture.

Until the the mid-1980s NHS managers were essentially administrators of decisions made in committee. The changes were made to give the service a conventional management structure, with each region, district, hospital and other unit headed by a general manager whose job was to run the business.

From next April, these managers have to think in terms of the NHS *being* a business.

The concept of the internal market on which the reforms are based can invite over-simplistic comparisons with industry – the NHS will be in a market competing mainly with itself. But essential commercial disciplines and priorities will be introduced into the finance and management of the service. This is a fundamental change in an organisation which consumes around £22bn a year in England alone, but has until now been unable to put a cost on almost any single course of treatment.



End of an era: Kenneth Clarke, for the Conservatives, prepares to introduce reforms, and Aneurin Bevan, Labour's reformer, on the first day of the National Health Service in 1948 with its first patient, 13-year-old Sylvia Beckingham.

The reforms will separate the purchasing of health care from its supply. Contracts or service agreements between the purchasers – health authorities and some family doctors – and the supplier hospitals are the chosen instrument for achieving this.

Ministers accept that, for the first year, these agreements will do no more than reflect existing patterns of service. Few districts or hospitals will be well-enough prepared to start trying to change patient flows next April. The question of how smoothly the service gets even to this first camp on the unbeaten path to reform – and how soon after year one the contracts system generates the genuine, efficiency-enhancing competition that the Government is seeking – rests on a number of unknown factors.

A minority of hospitals which have been involved with the Department of Health's resource management initiative from its early days are leading the field in setting up information systems. Some authorities, like the big Greater Glasgow Health Board, are introducing computer-based billing.

Other hospitals and authorities, however, are not so far forward. Some are having difficulty attracting one of the new system's most essential resources – accountants and finance managers – on NHS pay rates.

Mr Duncan Nichol, NHS chief executive, has spent the past two months touring the country, trying to raise the level of readiness among his senior managers. This will be followed this month by the launch of what is probably Britain's biggest single management consultancy exercise.

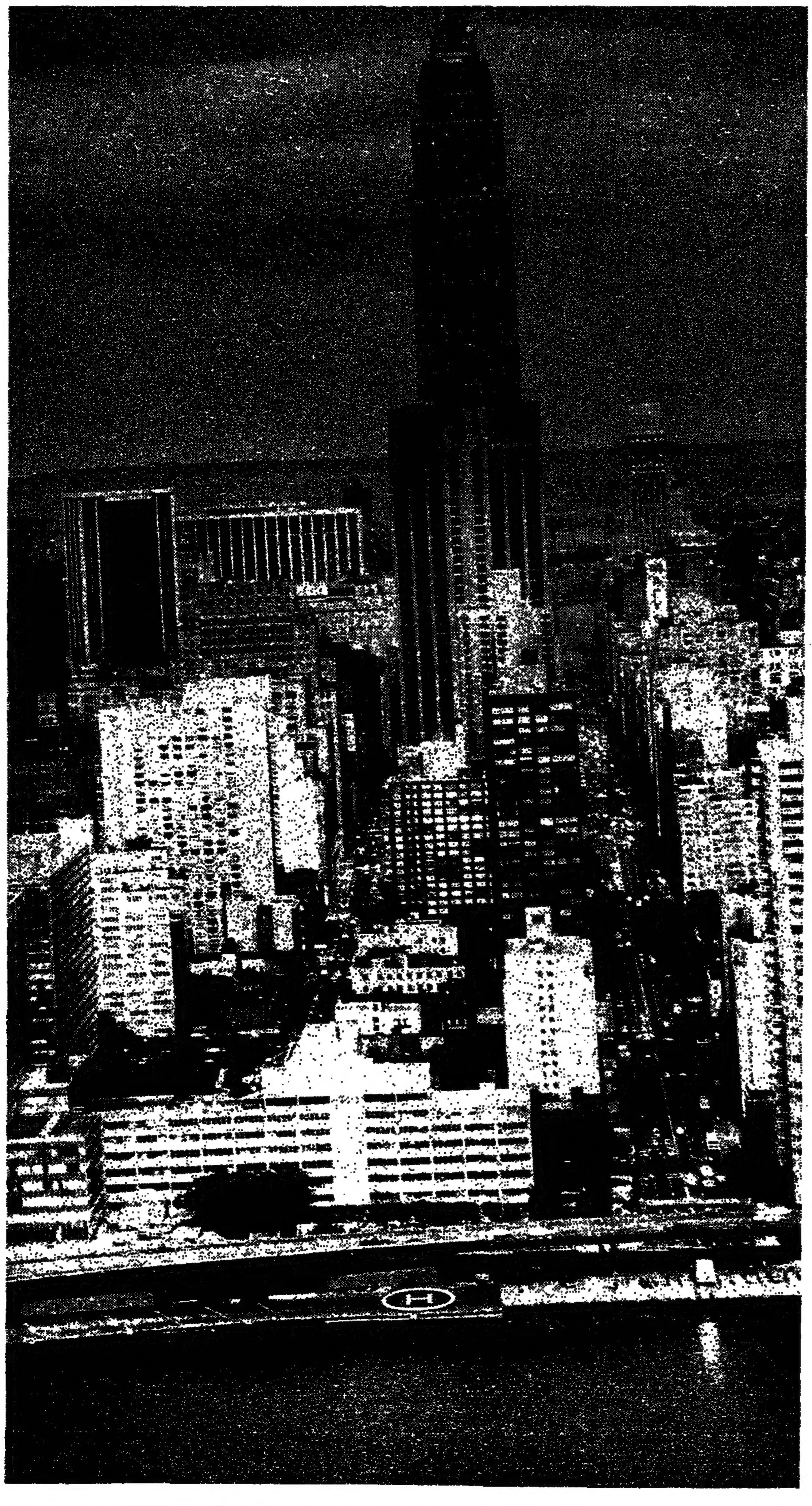
The scheme, costing £5m, is intended to improve the communication skills of the managers running all 548 hospitals and other units in the service.

The reforms will undoubtedly enhance the status and power of managers within the NHS. They will also encourage *medical staff to think in more* overtly managerial terms – every time a doctor provides treatment, he or she also allocates resources which will in future have a price on them.

There will be a scramble between now and April to bring all health authorities, hospitals and other units to a fairly crude starting point for next year's reforms. But some management consultants currently working in the NHS predict that it will take the rest of the 1990s for the service to completely settle down after this managerial revolution.

● The first bids by hospitals to become self-governing trusts under the Government's health reforms were submitted yesterday, within an hour of Mr Kenneth Clarke calling for applications.

Three Mersey Region hospitals took advantage of a pre-arranged visit to Liverpool by Mr Stephen Dorrell, a junior health minister, to become the first to apply for the new status. Mr Clarke said the three were likely to be followed by *up to 80 "first wave" applicants* in the next few weeks.



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BRITAIN IN BRIEF

Executive suspected dealing ring

Mr Gary Klesch, the chairman of Quadrex, the US-owned financial company, yesterday told the High Court that he "suspected" insider-dealing when British & Commonwealth Holdings was bidding for Mercantile House, the financial services group.

Mr Klesch's suspicions had been aroused when B&C raised its stake in Mercantile to 12.7 per cent. The move had come three days after Mr Klesch had told Mercantile's chairman that Quadrex was also interested in a deal with the financial services group.

"My suspicion was that Mercantile and B & C were in bed together." Mr Klesch said.

He was being cross-examined in the complex legal action arising from Quadrex' failure to complete the £280m purchase of M.W. Marshall, the money broker, and William Street, the US securities dealer, from B & C in 1988.

The evidence centred on negotiations in 1987, when B & C was bidding for Mercantile, parent company of Marshall and Street.

Business 'fails' on environment

British business is failing to influence environmental legislation and few companies have bothered to lobby the Government over the forthcoming white paper on the environment according to a survey published yesterday.

Only one in five companies have briefed the Department of Environment team which is compiling the white paper says the report by Environmental Policy Consultants.

"This is astonishing," said Mr Adrian Wilkes, managing director of EPC. "They are missing an opportunity to influence the Government's environmental blueprint for the 1990s."

The survey of 137 companies also showed that only 7 per cent had briefed the UK group which is working out a system of environmental labelling and 8 per cent had briefed the civil servants working on recycling schemes. In addition, one in three companies failed to monitor EC policy.

Lloyd's faces 'extinction'

Lloyd's of London, the insurance market, faces extinction unless it can resolve the problem of open years, according to Chatset, publishers of the Lloyd's League Tables. Open years are those in which the accounts of underwriting syndicates cannot be closed because no estimate of net profit or loss is possible

Commenting on the Lloyd's results for 1987, announced last week, Chatset says: "The long-tail business written between 1940 and 1970 is haunting a generation of Lloyd's members, few of whom ever enjoyed the profits. Unless it is solved it could spell the end of Lloyd's. Anyone joining Lloyd's before the old liability problem has been solved needs his head examined."

The long-tail business referred to, which is the reason for the inability of syndicates to close accounts, was mainly the insurance and reinsurance of asbestos and pollution risks in the US which produced heavy and continuing losses throughout the 1980s.

Visa introduces new system

Visa International, the credit card organisation, has introduced new systems to make the Visa card more acceptable by hotels, airlines and car rental companies.

The organisation predicted the changes would produce an increase of $450m in revenue over the next three years for its member issuers in Europe, Africa and the Middle East.

Visa said that the changes included new authorisation systems and operating procedures to streamline the card's use in the travel and entertainment industries.

Visa's latest campaign is an attempt to capture more of the international plastic card market currently dominated by issuers such as American Express.

Borrowing at new high

THE UK consumer is still borrowing and spending heavily despite the prolonged pressure of high interest rates, official figures indicated yesterday.

The Central Statistical Office announced that the total amount of new credit advanced to consumers in May, at £3.9bn, was higher than in the previous three months. The increase, which was the biggest for two years, was about half a billion pounds larger than the markets had been expecting, but sterling and equities showed little reaction to the data.

On the spending side, figures also suggested there was plenty of consumer demand and high interest rates had failed to squeeze demand out of the economy.

The CSO announced that it had revised upwards its provisional estimate for retail sales volume from 1.2 per cent in May to a final 1.4 per cent. The markets had been expecting no change to the seasonally-adjusted figures.

Lex, Page 18

Pay rise at Rolls Royce

More than 3,500 workers at the Derbyshire plant of Rolls-Royce, the aerospace group, have won pay rises of 5.2 per cent, over and above the annual settlement to compensate for inflation, as part of a working time deal.

The rises are being paid to compensate the group of workers, who represent about half the manual workforce at the site, for receiving no reduction in their working hours even though the unions and company have agreed a shorter working week deal.

The agreement at one of Britain's largest engineering sites demonstrates how some companies are holding out successfully against reductions for groups of workers already working the 37 hour weeks.

Girobank sale confirmed

Mr Nicholas Ridley, the Trade and Industry Secretary, confirmed the sale by the Post Office of the Girobank for £72.9m plus the repayment of a £39m loan. The total £111.9m received by the Post Office compares with the net value of the bank of £155.5m at the end of its latest financial year in March.

The sale was attacked by the opposition Labour Party as a further act of incompetence in the Government's privatisation programme.

Mr Doug Henderson, a Labour trade and industry spokesman, said: "Coming straight after the further disclosures about the sale of Rover to British Aerospace, this is another example of DTI incompetence. The Government's ideological obsessions have yet again blinded them."

Overhaul for sterling markets

The Bank of England's new Central Moneymarkets Office (CMO) which will bring electronic settlement to the sterling money markets, will open on October 1.

The Bank has been working on the CMO for over a year. But the need for it was graphically illustrated in May when a messenger was robbed of money market instruments worth £292m.

The new office will replace the physical delivery of certificates paper with computerised book entry for dealings in instruments such as bills, certificates of deposit and commercial paper.

Sky TV will 'break even'

Mr Rupert Murdoch, executive chairman of Sky Television, forecast yesterday that the satellite venture could break even by the end of next year or early in 1992.

The four channel television system, Mr Murdoch conceded had already cost £250m and might need a further £100m investment.

"I would hope it might be more like £70m," the Sky chairman said before a presentation outlining Sky Television's achievements two years after he first publicly announced the project.

Castrol seals Burmah move

Castrol, the worldwide lubricants group, yesterday completed its reverse takeover of Burmah Oil. Twenty-four years after Burmah bought Castrol from its family founders, Burmah has finally made management changes and adopted a name that reflects the changes in the company's business.

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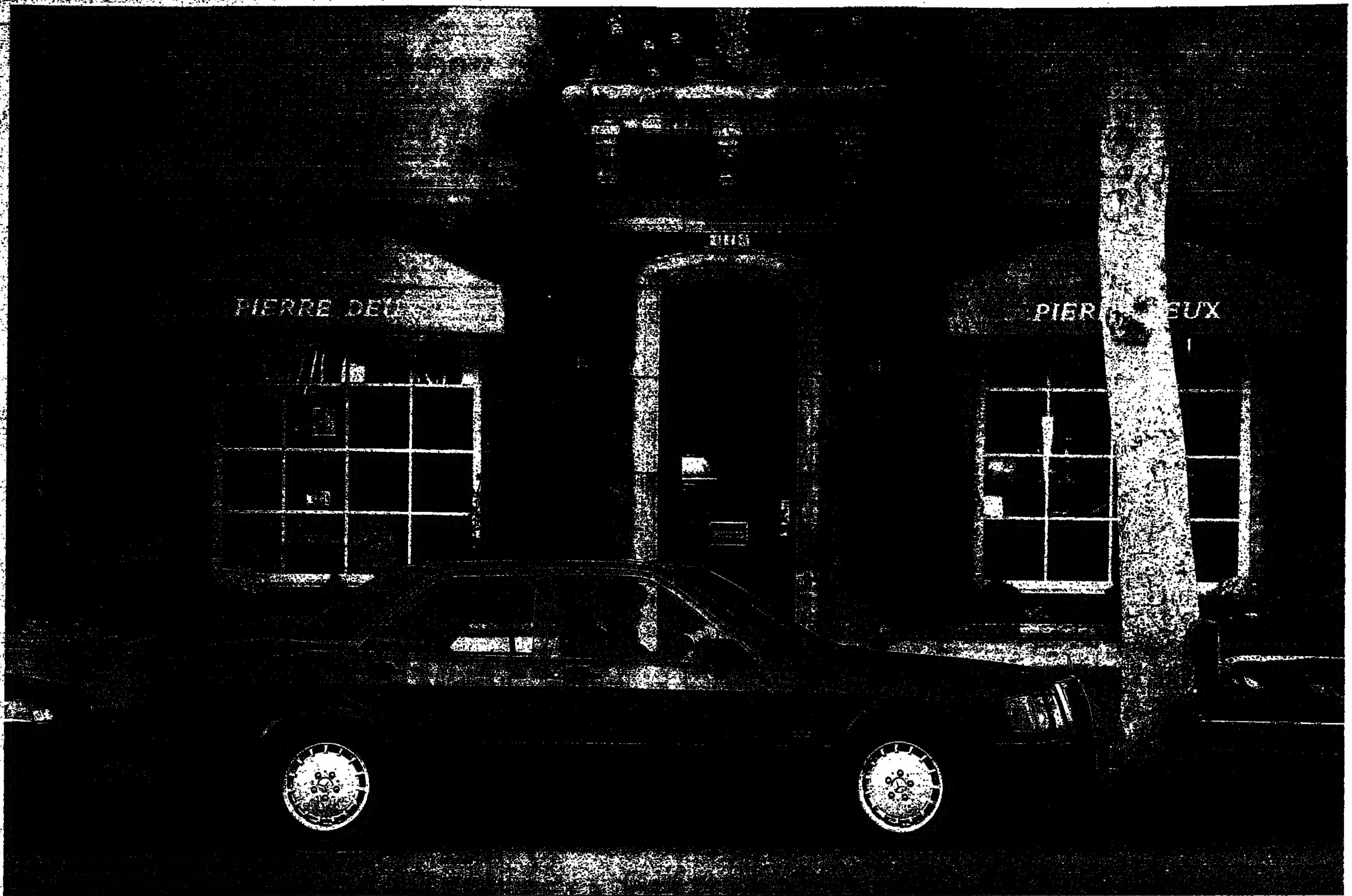

190 series prices from £15,190 (correct at time of going to press; excludes delivery, road tax and number plates).

The only time a Mercedes-Benz 190E feels small

Congratulate yourself. As the nose of your new 190E 1.8 tucks behind the car in front, you may just have performed the neatest parking trick of your driving career: slotting into a space that would have felt too tight in a less thoughtfully designed car.

But you've pulled it off because all-round vision in the Mercedes-Benz 190 series is as unobstructed, clear and helpful as you would wish. Your driving position, so carefully tailored by the ergonomic engineers at Mercedes-Benz, allows you a finely judged feel for the extremities of the bodywork.

Perfectly Calibrated Controls

You're helped, too, by precisely weighted power steering. It feeds you all the assistance you need to manoeuvre effortlessly, but never feels artificially light.

And this fine-tuning of all the car's responses, so familiar to drivers of other Mercedes models, is your inheritance, too, when you order a new 1.8-litre 190E: the rock-solid 'thunk' as you close the precision-made doors; the quiet, absolutely rattle-free interior; a history of safety engineering that is the standard for the rest of the industry; a seven-layer rust-protection and paint process that will preserve the car throughout its lifetime.

These, among other qualities, make a lastingly faithful companion of the new 1.8-litre 190E, a car that feels especially relaxing during nip-and-tuck city driving.

But many cars feel small in traffic simply because they are small. The real trick is to feel substantial on the open road as well. And cruising serenely at 70mph on the motorway in any of the six 190-series models, you'll find additional reasons to be grateful for the precision of Mercedes-Benz engineering.

Wider Engine Choice

Like the other petrol-powered cars in the broader-based 190 series, the 1.8 is fuel-injected, which promotes easier cold starting and smoother running. This new car, developing 109bhp, is more powerful and more accelerative than the car it replaces and, like the 2.0-litre and 2.6-litre models, it can be fitted with a three-way catalytic converter as an optional extra.

If you run a company car, the 190E 1.8 is particularly attractive. You can specify generously from the factory options list, and still avoid the lowest of the purchase price tax break ceilings. About as satisfying an exercise, in fact, as threading yourself into a parking space that would have been too much of a struggle in a lesser car.

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LOCKERBIE AIR DISASTER

Fake bomb prompts BA to launch security inquiry

By Jimmy Burns

BRITISH Airways yesterday ordered a "full and immediate" investigation into its security after admitting that a fake bomb had been smuggled on one of its flights.

At the weekend Dr Jim Swire, the spokesman for the British relatives of victims of the Lockerbie air disaster, said that he had smuggled the fake bomb last month on a flight from Heathrow to New York.

Dr Swire, whose daughter was among the 270 killed at Lockerbie in December 1988, yesterday met the UK transport secretary, Mr Cecil Parkinson and officials of the aviation security inspectorate.

According to Dr Swire, a former explosives officer in the British Army, the fake bomb was a replica of the Lockerbie bomb which was contained in a radio cassette recorder. Marzipan was used instead of the explosive Semtex.

He smuggled the fake bomb to draw attention to the increasing frustration felt by the relatives of those who died in the disaster over what they perceive as the Government's prevarication in the Lockerbie controversy.

Last month, Scotland's Lord Advocate, Lord Fraser announced that a fatal inquiry into the Lockerbie disaster will begin on October 1.

The relatives however are calling for a full independent inquiry which would look into the wider political issues such as how Heathrow airport and British Department of Transport officials reacted to warnings of a possible terrorist attack on US airlines.

Dr Swire said yesterday: "It is extremely urgent that we have an independent inquiry to sort out security rather than wait for more people to be killed or for this fatal inquiry in October."

The fatal accident inquiry's brief is to reach a finding on the immediate causes of the disaster, and any "reasonable precautions" which may have avoided it. Mr Parkinson has said he intended to launch a full inquiry into the incident.

Tokyo-Narita named world's most expensive airport

By Paul Betts

TOKYO-Narita airport remains the most expensive international airport in the world from which airlines can operate, according to a report on airport charges by the TM Economics/Avmark group.

The next most expensive are Newark in New Jersey, Manchester, England, and Oslo, Norway.

In contrast, the two principal London airports Heathrow and Gatwick are ranked 18 and 22 in the TM Economics/Avmark 1990 review of charges at 40 leading international airports. The airport with the lowest charges remains Dubai.

The review of charges for eight different aircraft types at 40 leading airports and calculates charges including parking and landing fees as well as navigational and passenger charges are converted to US dollars for the purpose of the index.

The latest index shows Tokyo in first place with aggregate charges of $26,713 followed by Newark, New Jersey, with charges of $21,551 with Manchester right on its heals with $21,532. Oslo is fourth followed by Vienna and Auckland.

Dublin is tenth while both Paris Charles de Gaulle and Orly are ranked 16th with charges of $14,103. This is higher than New York's Kennedy airport with $14,008 which is just ahead of London Heathrow with $13,577. Amsterdam follows with $13,123 and is ahead of Gatwick with $11,652.

At the bottom of the index, the airports with the lowest charges are Los Angeles, Honolulu, Miami, Kuwait, Washington DC and Dubai.

The authors of the review, however, warn it is difficult to make precise comparisons because different factors affect the way airports set their charges.

The high ranking of Manchester reflects the difference in the general economies of scale between Manchester and the two London airports as well as Manchester's recent investment in a new terminal. New investment was also one of the reasons for Newark's high ranking.

Airports in countries whose currency is weak against the US dollar also fare better in the index calculated in the US currency. Government owned airports also tend to be priced lower than privately owned airports which have to raise funds at commercial rates.

State-run airports often reflect government national or regional development and tourism policies, whereas private sector airports are perceived to be more commercially orientated with a regular policy of raising charges.

Dubai, for example, has traditionally had a policy of competitive pricing to make it more attractive as an aircraft refuelling stop for flights en route to the Far East.

Review of Airport Charges 1990 published by TM Economics/Avmark, 136 Long Acre, London WC2E 9AE, price £290/$490.

Inquiry takes off into London City's new runway

Paul Abrahams reports on plans to extend the airport in the capital's docklands

As London City Airport begins its attempt to win consent for a runway extension at a public enquiry this morning, passions will be running high. Airports are emotive subjects. When they are located in the middle of a city, they are doubly so.

At stake, according to John Mowlem, the construction company that owns 90 per cent of London City, is the very existance of the airport. At stake too, according to nearby residents is the health and safety of the local community.

Mowlem is asking for the right both to extend the runway at the airport by 169 metres and increase the number of permitted movements by 21 per cent. The extended runway would allow jets, such as the BAe 146, to operate from the airport to destinations more than 1,000 miles away. This compares with the 250 mile range of the De Havilland Dash 7 turboprop, pictured right, which presently flies from London City.

The company argues that without the runway extension and the additional services that could be operated if it were built, the airport does not have a long term future.

At the moment, the airport, located in the docklands to the east of the City, handles about 250,000 passengers a year. Mowlem admits it needs at least 450,000 if the airport is to even cover its operating costs, let alone cover depreciation and interest, or make a profit. In February, the company made an exceptional provision of £33m in its 1989 accounts against the airport.

The airlines operating from London City have also had difficulties making money there. Although Brymon Airways, which is partly owned by British Airways, claims it is making money on routes from the airport, at least one airline, London City Airways, stopped operating on the Amsterdam route because there was not enough passenger volume to make it profitable.

The company claims two Mori polls in the area showed that only between 2 and 3 per cent of the population identified aircraft noise as a serious local issue.

Such statistics are disputed, however, by Mrs Connie Hunt, a local resident and secretary of the Newham Dockland Forum, an umbrella body for local community groups.

"I don't know where they found their sample. We have gone from door to door and found nobody who was polled," she says.

Noise is also an issue. Local residents are already forced to stop conversations when aircraft fly over, according to Mrs Hunt. The BAe 146 is noisier than the Dash 7 on takeoff, the local community is worried that homes will be blighted, she explains.

"The airport is a good thing for businessmen, but gives hardly anything to the community," says Mrs Hunt. "And there's no guarantee that the airport expansion will stop after this application."

In the meantime, a passionate drama will start unfolding this morning at West Ham town hall in Stratford as sections of the East End local community takes on City.

First steps towards EC-wide qualification for 20m workers

By Diane Summers, Labour Staff

THE FIRST steps towards a European Community-wide training qualification for an estimated 20m shop workers have been taken in a UK-led initiative that could provide a blueprint for other sectors.

The purpose of the scheme is to aid mobility of labour between EC countries in retailing as well as improve individual national standards. Apart from competence in retailing skills, a Euro-qualification would demand fluency in another language and knowledge of environmental issues. Mr Peter Morley, chairman of the European retail employers' social affairs working group as well as of the UK National Retail Training Council, said yesterday that "no other sector has got this far."

Mr Garfield Davies, General Secretary of the UK shop workers' union Usdaw, and President of the European trade union body, said that "urgency and credibility" were being lent to the issue in the eyes of the European Commission because unions and employers were working together.

The qualification could be loosely based on the UK's recently-introduced Retail Certificate but, because of fundamental differences in approach, the method of training would be left up to each EC country. Talks between the European retailing employers and unions will thrash out the details.

The joint approach has led to what both unions and employers are hailing as a breakthrough in relations with the European Commission.

Retailing has been granted "special status", following a meeting last week between both sides and Mrs Vasso Papandreou, Social Affairs Commissioner.

This means that the Commission will deal directly with retailing representatives on the full range of issues, including, for example, the controversial draft directive on part-time and temporary workers.

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FT CONFERENCE: NORTH SEA OIL AND GAS

Bright future seen for UK sector

By David Thomas, Resources Editor

PROSPECTS FOR the UK sector of the North Sea are excellent, with 14 projects involving total investment of about £5.6bn under discussion, Mr Peter Morrison, UK Energy Minister, said yesterday.

Mr Morrison's optimistic message was echoed by almost all other speakers on the first day of the FT's North Sea Oil and Gas conference,

The Minister was particularly pleased with the initial response to the recent Frontier Licensing Round, which concerned areas to the west and north of Shetland in extremely hostile conditions.

Dr Harold Hughes, director general of the UK Offshore Operators Association, estimated that 25 years of solid work lay ahead in the North Sea and elsewhere on the UK Continental Shelf.

British Petroleum estimated that about 31bn barrels of oil equivalent remained to be discovered in the UK and Norwegian sectors, Mr David Harding, chief executive of BP's exploration wing in Europe, told the conference. This was almost as much as the 33bn barrels of oil equivalent in proven reserves awaiting production.

Miss Tone Skogen, deputy director general of the Norwegian Ministry of Petroleum and Energy, called on the oil companies and the offshore industry generally to consider new contract and pricing strategies which would introduce incentives for cost reduction.

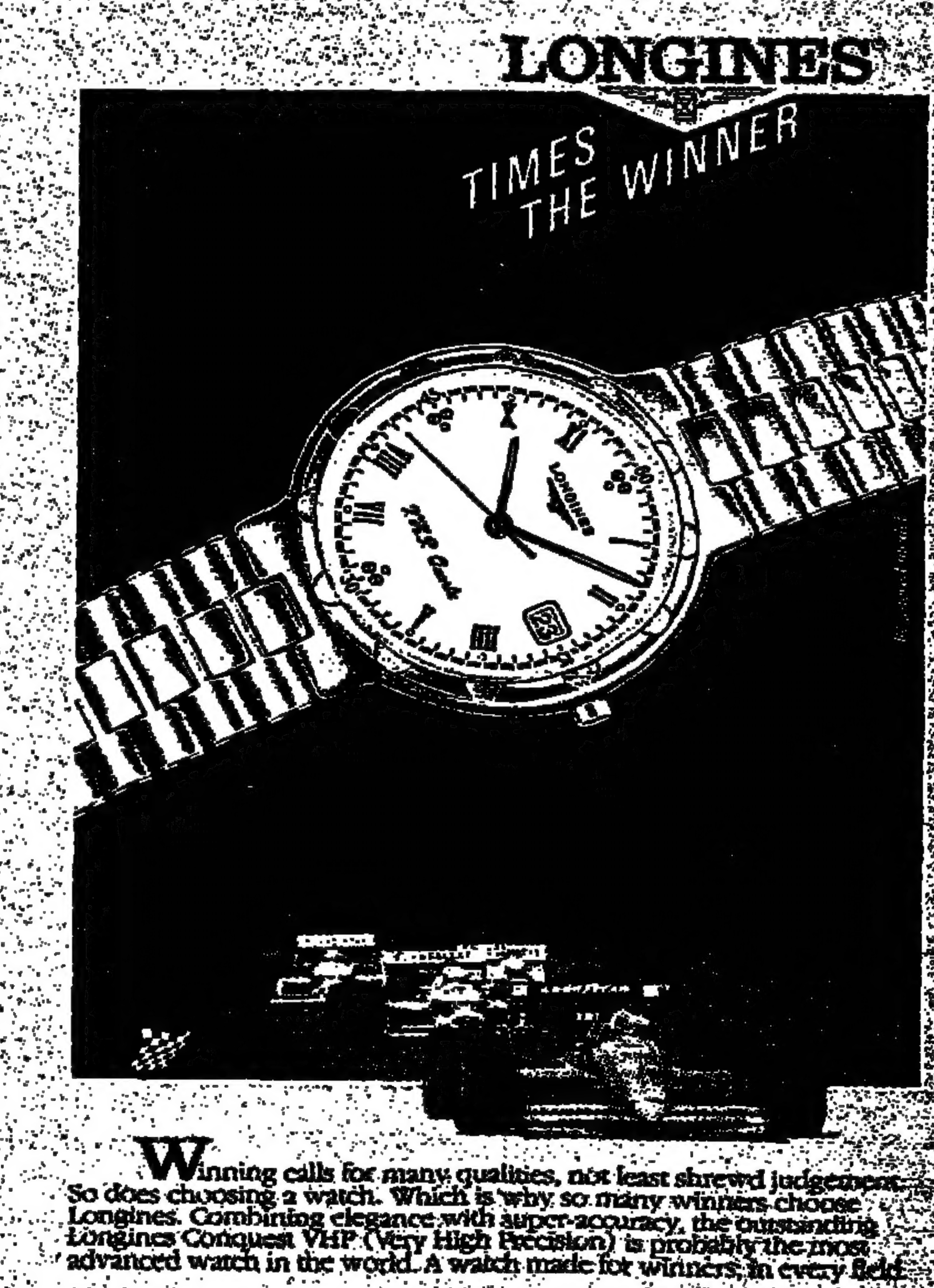
Dr Stan Dessens, director general of energy in the Dutch Ministry of Economic Affairs, highlighted the impact of the liberalisation in Easter Europe. Transfer of advanced gas technology and gas supplies would be attractive in the short term, but in the longer term Western Europe would become increasingly dependent on Russian gas.

The exploration opportunities which still existed in Denmark were highlighted by Mr Hans Jorgen Rasmussen, executive vice president of Dansk Olie og Naturgas, the Danish state oil company.

Danish offshore development activity would remain high throughout the 1990s, while the Danish natural gas transmission network was likely to be increasingly integrated within the Scandanavian network.

Mr Norman Chambers, chief executive of Rockwater, the sub-sea engineering specialists, pointed out that over-heating was now apparent among suppliers and contractors: the workload on UK design contractors in 1990, for example, would be double that in 1988, yet the entire industry was cut back in the mid-1980s.

LONGINES



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MARSEILLES

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It takes two hours to drive to Marseilles from the Côte d'Azur. The rocky coast, covered in pine trees, is beloved by yachtsmen because it is cut by deep, long creeks, or calanques.

Marseilles is the Mediterranean's largest port and one of Europe's important industrial centres. The surrounding region is more pastoral, but full of history and art. The Roman ruins at Nimes and Arles. The Van Gogh landscapes. The Camargue, with its marshes and wild horses.

Big ships and big factories moulded the personality of Marseilles. The city's industrial base is very diversified. Shell, BP, Arco in petrochemicals. *Aluminium-Pechiney.* Comex, the world leader in ocean drilling and exploration. Many software firms have sprung up in nearby Aix-en-Provence, while 33% of the civil helicopters exported in the world are manufactured by Aérospatiale, the biggest high tech firm in the Marseilles area. The range of businesses extends from a large nuclear industry to the most modern farms.

With 3,600 full-time researchers, Marseilles is one of the leading European cities in industrial R & D. Firms can obtain space at the famous research centre of Luminy, or at the new technopoles of Chateau-Gombert and Arbois, tapping into such advanced research labs as the International Institute of Robotics and Artificial Intelligence.

Marseilles has many things to offer. Good telecommunications. An international airport with direct flights to New York and major European cities. Good schools and universities. Truly beautiful natural scenery close at hand.

And the character and zest of Marseilles and its region.

FRANCE

Regional Vigour.

France is the heart of the new Europe that will be born on January 1, 1993. It is the place to be for a foreign firm that wants to operate in that unified market.

But France is also a country of 55 million freedom-minded individualists, and twenty-two regions that mirror the dynamism of the French people. No two regions are alike. All are historically interesting and culturally rich.

An association exists to help international companies sort out the pros and cons of France's regions. Its acronym is FRIEND (French International Enterprise Development Association.) FRIEND works for the benefit of foreign investors, in conjunction with the Ministry of Industry and Regional Planning. It also coordinates its activities with an umbrella organization at the national level called DATAR which in specific cases can offer tax and other incentives to foreign companies investing in France.

Here are brief sketches of four of France's regions and the opportunities they offer.

NORD PAS-DE-CALAIS

The Tunnel Gateway.

The Nord Pas-de-Calais is strategically placed to provide a platform for businesses determined to exploit the opportunities of the single European market after 1992.

Situated at the heart of western Europe, with close links with the dynamic economies of Rhineland Germany, Benelux and the South-east of England, the region is ideally situated to provide access to the European Community's 320 m consumers.

The region's communications infrastructure is unequalled. The Nord-Pas-de-Calais already has six motorways running north-south from Amsterdam to Paris and east-west from the channel port of Calais through to Reims.

By May 1993, when the channel tunnel is completed, the region will represent the golden-hub of the European TGV *high-speed train* network. The Nord Pas-de-Calais will benefit from the additional traffic generated by the tunnel. The operators expect between 30 m to 40 m passengers and 15 m tonnes of freight to pass through the tunnel in its first year. And the ferries, hovercraft and aircraft which carried 67 m passengers in 1988 will, of course, continue to operate. Lille, the region's capital, will soon be offering direct train services capable of 190 miles per hour to destinations such as Brussels, Amsterdam, Paris, Cologne and London.

In addition, the region will provide direct 50 minute services to *Charles de Gaulle airport*, Europe's second largest and fastest growing international airport.

A highly-educated, efficient and well-motivated workforce is at your disposal in the Nord Pas-de-Calais. The region boasts five universities - which have a bias towards science and technology subjects - as well as 19 schools of engineering and colleges of technology.

At the heart of this exceptional region is the European Business Centre at Lille. The city is planning to provide offices, shops, homes and a World Trade Centre on a 110 hectare site located right next to the TGV station. The first phase, consisting of 55,000 square metres, will be ready in 1993.

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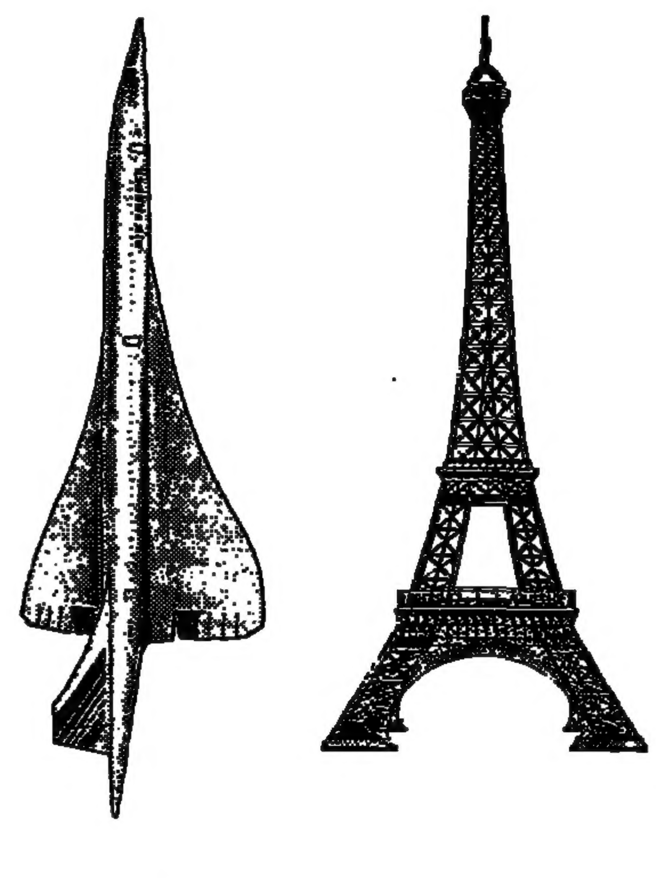

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FRENCH RIVIERA

The Bright Way.

The movies have yet to communicate this reality, but the French Riviera is becoming a world centre for telecommunications and technological research. Over 70 multinationals are there, including DOW Chemical, IBM, Rockwell, Texas Instruments, DEC, and Nestlé.

Sophia-Antipolis, the famous Science Park near Antibes, already represents 700 companies and 11,000 jobs. The Park is about to double, covering a total area half the size of Paris. Over 25,000 experts from many nations will be conducting research, mainly in telecommunications, data processing, electronics, and pharmaceuticals. Sophia Antipolis III and IV will be built by the end of the century.

The Riviera also has 30 other business sites and ample plant and office space, all at competitive rates. A scenic highway links all coastal areas, and the Nice-Côte d'Azur International Airport — already France's second largest — has direct flights to the U.S. and Canada as well as major European cities.

The Côte d'Azur's economy is growing by 10% a year, compared to 3.5% for all of France. But this growth is being carefully monitored to honour the Riviera's beauty and minimize pollution.

Employees of the 55 American firms sited on the Côte d'Azur know the advantages of living and working there. Beaches on one side, the Alps on the other. First rate schools and universities. 40 museums and three symphony orchestras.

In the 21st century the French Riviera will undoubtedly be a technological showcase, but it will still be the French Riviera with 300 days of sunshine a year.

GRENOBLE ISÈRE

Success Is No Chance.

Located at the foot of the Alps, the area has motorways leading north and south from Paris and Geneva to Marseilles and Barcelona, as well as east and west from Lyon to Milan. The three national airports - Grenoble, Lyon and Geneva - provide frequent international flights. The famous "TGV" links regularly Grenoble to Paris in three hours.

One of the significant advantages of the Grenoble-Isère region is the quality of its exceptionally well-educated and highly-skilled workforce. The area has three universities, and eight engineering schools with a total of 36,000 students.

With such a pool of talent, it's hardly surprising that so many research institutes have decided to locate here. Among the most notable of these, which employ about 8,000 people, are the Grenoble Nuclear Research Centre, the Data Processing Technology and Electronics Laboratory and the Max Von Laue-Paul Langevin Institute.

Last, but not least, the European Synchrotron Radiation Facility is setting up researchers and plans to host 2000 scientists a year. Grenoble is the largest R&D concentration in France, after Paris.

International companies have also been drawn by Grenoble Isère attractiveness and quality of life. Cap Gemini Sogeti, SGS Thomson, Hewlett-Packard, the Open Software Foundation, to name a few, have located their operations in Grenoble.

The world-leading US workstation computer manufacturer, Sun Microsystems, has just decided to install near the city its International Centre for Network Computing.

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FRF 500,000,000
11% Retractable bonds due 2000
Notice of Subsequent Interest Rate

According to Condition 5 (b) of the Description of the Bonds, the Kingdom of Sweden hereby gives notice to the Bondholders of the basis of calculation of the rate of interest to be determined by the Fiscal Agent no later than on the Interest Option Date, which will apply to the five year period commencing 31 July 1990 to (but excluding) 31 July 1995.

The rate of interest shall be equal to the sum of a margin of +0.11% and the lower of either:

(i) the yield of the OAT 8.70% 1995 based on a mid-price as quoted on Reuter page CDCP by Caisse des Depots et Consignations on the 20 July 1990 at 11am (Paris time); or

(ii) the average of the OAT 8.70% 1995 yields based on mid prices as quoted on Reuter page CDCP by Caisse des Depots et Consignations at 11am (Paris time) each business day in Paris over a period extending from 9 July 1990 to and including 20 July 1990.

In case no quotation is published on Reuter page CDCP during the above mentioned period, the Fiscal Agent on behalf of the Kingdom of Sweden would refer to OAT quotations widely recognised and published daily.

Pursuant to clause 7 (c) the Kingdom of Sweden wishes to remind the Bondholders of their right to require redemption of their Bonds at their principal amount on the Interest Option Date.

Such right shall be exercised by surrendering such bonds at the office of the Fiscal Agent or any Paying Agent, no later than 13 July 1990, together with all Coupons appertaining thereto which mature after the Interest Option Date. The exercise of such right shall be irrevocable and no Bond or Coupon so surrendered may be may be withdrawn.

For the information of the Bondholders, the new rate of interest (as calculated by the Fiscal Agent in accordance with the above mentioned basis) will be published on 23 July 1990.

Fiscal Agent: Banque Nationale de Paris (Luxembourg) SA.

INTERNATIONAL PUBLIC BID FOR PRE-QUALIFICATION OF OIL COMPANIES FOR PARTNERSHIP IN CENTRAL AREAS OF YACIMIENTOS PETROLIFEROS FISCALES

INTERNATIONAL PUBLIC BID No. 14-277/90

LOCATION	AREA
VIZCACHERAS (Mendoza Province)	6.710 Ha.
PUESTO HERNANDEZ (Neuquén Province)	8.700 Ha.
EL TORDILLO (Chubut Province)	9.684 Ha.
EL HUEMUL (Santa Cruz Province)	17.065 Ha.

Value of folder of Bidding Terms and Conditions: US$ 1.000.- (U.S. Dollar One Thousand)

Sale date: From July 2, 1990. Mondays through Fridays from 9:00 to 12:00 and 14:00 to 15:00 hours.

Sale Place: ARGENTINA: Gerencia de Licitaciones y Contratos
Av. Presidente Roque Sáenz Pẽna 777 - Of. 832 Buenos Aires
U.S.A.: Plaza East, Suite 250
Houston, Texas 77046

The value of the Bidding Terms and Conditions and technical documents is payable in U.S. Dollars of its equivalent in Austral (A) at sole free sale rate exchange published by the Banco de la Nacion Argentina previous to buying date.

Opening date and place: August 30, 1990 at 10:00 AM at Salón de Actos de Y.P.F. "Gral. Manuel Belgrano", Av. Presidente Roque Sáenz Pẽna 777-13th. Floor, Buenos Aires, ARGENTINA.

IZMIR

The Financial Times proposes to publish this survey on:

19th July 1990

For a full editorial synopsis and advertisement details, please contact

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FINANCIAL TIMES
EUROPE'S BUSINESS NEWSPAPER

FT LAW REPORTS

Administrators must pay uncollected rents

RE ATLANTIC COMPUTER SYSTEMS PLC (NO 2)
Chancery Division:
Mr Justice Ferris:
June 22 1990

INSOLVENCY administrators who in the course of their administration retain and use equipment supplied to the company under hire purchase or leasing agreements for the purpose of its leasing business, must pay the owners sums due to them under those agreements arising during the administration period, apportioned on a day to day basis as from the date of the administration order, irrespective of whether the end users withhold rentals due to the company.

Mr Justice Ferris so held on applications for orders and directions by administrators of Atlantic Computer Systems plc, additional to those given by him in his judgment of May 25 (*FT, June 13 1990*), in respect of sums payable by the company for equipment supplied and funded by Norwich Union Insurance Group and Allied Irish Banks plc.

HIS LORDSHIP said that on May 25 he decided that if chattels belonging to a funder and made available to a company under a hire purchase agreement or head lease were used in the course of the company's business or realised while an administration order was in force, the funder was entitled to receive as an expense of the administration the payments provided for by the hire purchase agreement or lease.

Also, he held that subject to the possibility that administrators might be able to establish in particular cases on exceptional facts that chattels had not been used for the benefit of the company or its creditors in the course of administration, Norwich Union and Allied Irish, as owners of leased or hired chattels, were entitled to receive as administration expenses, payments in respect of those chattels under the hire purchase agreements or lease.

The reasons for that conclusion included the absence of power in the administrators to disclaim particular equipment; the purpose for which the administration order was made, namely a "more advantageous realisation of the company's assets than would be effected on a winding up" (see section 8 (3)(d) Insolvency Act); and the fact, as was then understood to be the case, that the administrators were collecting end user rents with a view to using them in the administration to discharge company liabilities.

On the present applications evidence had been filed to the effect that contrary to what had been indicated previously, very little was being collected in respect of end user rentals.

To some extent non-collection was due to the fact that there had been pre-payments, and to the fact that end users were withholding payment.

First, the administrators sought an order that Norwich Union and Allied Irish were not entitled to payment for periods terminating after April 18 (the date of the administration order) for which the company had previously paid in advance.

Norwich Union and Allied Irish submitted that the only effect of pre-payment was to prevent them seeking payment a second time of what had already been paid.

The administrators suggested that pre-payments had a further effect. During the period covered by pre-payment the company was entitled to enjoy and exploit the equipment to which pre-payment related. It followed, so it was said, that nothing done during that period could constitute retention or use for the purposes of the administration.

That argument went too far. The administrators' acts or omissions constituted only some out of a wider range of factors to be taken into account in determining whether there had been retention or use for the purposes of the administration.

In so far as those acts or omissions were relevant there was no warrant for leaving them out of account altogether if they took place during a period covered by pre-payment.

Second, the administrators sought an order that Norwich Union and Allied Irish were not entitled to payment where rent had not been received from the sub-lessee after April 18. They submitted that where equipment was not actually contributing to the income stream, it could not be said to be retained or used for the purposes of the administration.

There was a wide range of circumstances in which equipment might not contribute to the income stream. The court could only make the order sought if it took the view that non-receipt of payments from end users established conclusively that equipment was not retained or used for the purposes of the administration.

It did not take that view.

Although the evidence now showed that the assumption that end user rentals were being collected as they became due was incorrect, the situation did not displace the main reasons the court had given for its previous decision. The order was refused.

The administrators also sought directions where certain payments which might become due under hire purchase agreements or head leases, other than base rents, were payable as an expense of the administration. Base rents were the ordinary rents payable periodically under the hire purchase agreements or head leases. It was to those that the May 25 decision was directed.

The administrators argued that supplemental rent, insurance, interest and maintenance payments were different from rent, and sums due to funders in respect of those items could not qualify as expenses of the administration. The court could discern no difference.

It directed that supplemental rents, insurance payments or damages for breach of covenant to insure attributable to a period of retention and use, interest on rent or supplemental rents attributable to such a period but paid late, and damages for breach of covenant to maintain the equipment attributable to such a period, were all payable as expenses of the administration.

The administrators also sought directions as to whether their liability to pay periodic rental payments or any other sum pursuant to the head leases arose at April 18 or at some other stage, and if so what date.

That raised the question of when the period of retention and use began. There were two possible approaches.

The first was to say that having regard to the nature of the administration, the statutory purpose for which the order was made, the administrators' statutory duties, the absence of rejection of equipment or transactions by the administrators, and other indicia, retention and use commenced on April 18 unless the contrary could be shown in any particular case.

The second approach was to adjudicate on a case by case basis according to the particular circumstances.

The court had already ruled in its decision of May 25 that the first approach was correct. The material part was "Subject to the possibility that the administrators may be able to establish ... that chattels have not been used ... in the course of the administration, ... owners ... are entitled to receive ... payments ... payable under the ... agreement or lease".

In the court's order of May 25, which had not yet been drawn up, it would be appropriate to declare that "subject to the contrary being shown in any particular case on application to the court by the administrators or otherwise, the administrators are to be treated as having retained and used for the purposes of the administration since commencement of the administration the equipment made available to the company by Norwich Union and Allied Irish under the several hire purchase agreements or head leases entered into between each of them and the company".

That would reflect the May 25 judgment and would make further direction unnecessary.

The administrators also sought directions as to whether liability accrued on a daily basis or some other basis. If an annual or quarterly rent instalment became payable the question was whether the whole instalment was to be treated as an expense of the administration, or only the part apportioned to the period of retention and use.

In cases relating to the analogous situation of retention and use by a liquidator apportionment had been applied (see *Shackell [1895] 1 Ch 378; ABC Coupler Engineering [1971] WLR 702; HH Realisations (1976) 31 P & CR 249.*) The court ought to apply those decisions. Liability in respect of periodical payments accrued on a day to day basis.

For Norwich Union: Michael Crystal QC and David Mabb (Allen & Overy)

For Allied Irish: Michael Crystal QC, Richard Adkins and Sandra Bristoll (Wilde Sapte)

For the administrators: Philip Heslop QC and Victor Joffe (Cameron Markby Hewitt)

Rachel Davies
Barrister

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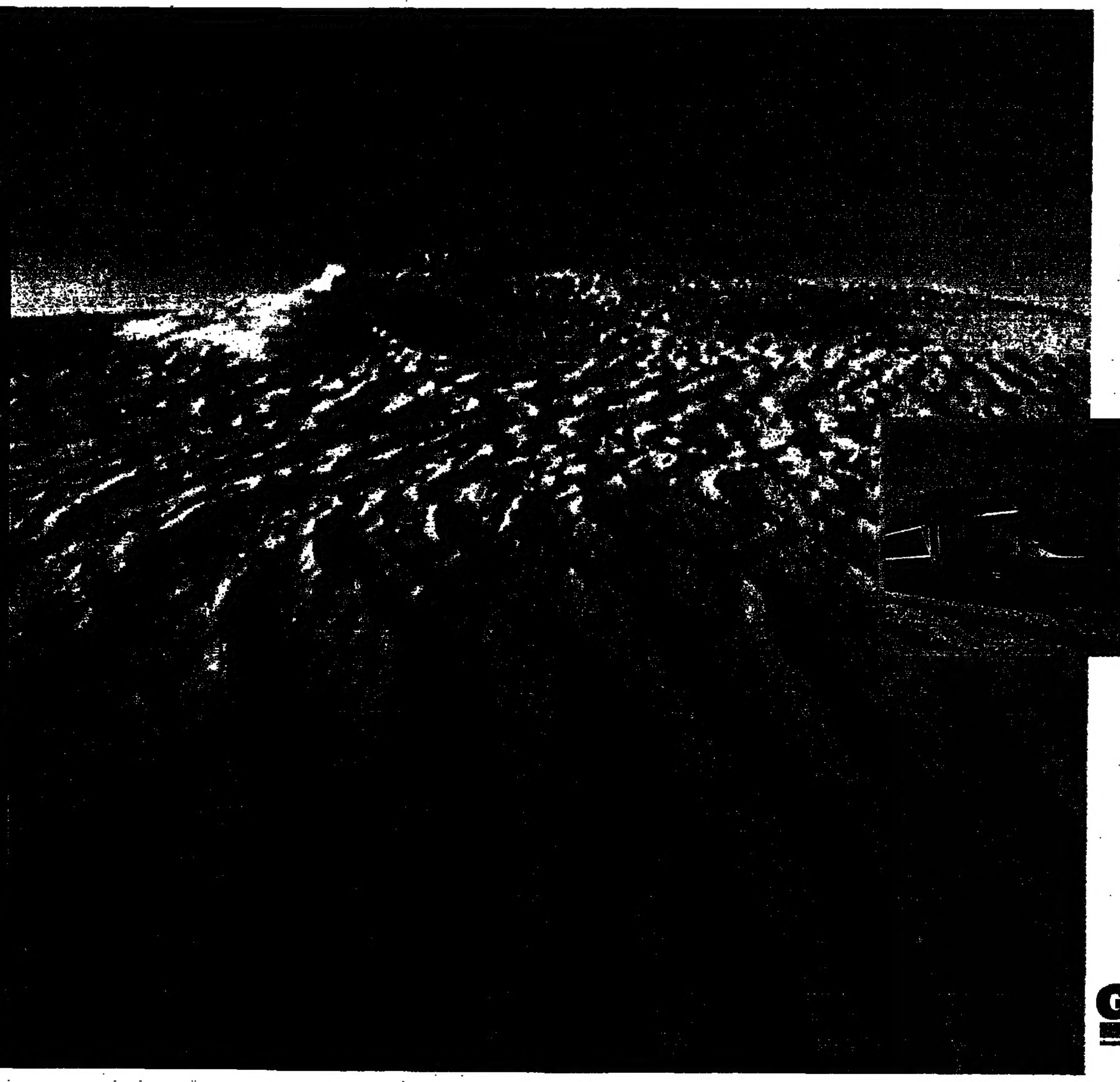

NO ONE KNOWS WHY DISTANCES BETWEEN PEOPLE ARE SO GREAT, BUT EVERYONE KNOWS WHO BREAKS SPEED RECORDS TO MAKE THEM SMALL.

GEC ALSTHOM

TECHNOLOGY

A victory for Lotus copyright

LOTUS Development, publisher of "1-2-3", the popular personal computer spreadsheet program, last week won a copyright dispute that may have widespread implications for software users.

A US Federal judge ruled that a "clone" of 1-2-3, published by Paperback Software, infringes *Lotus's copyright* because it imitates the "look and feel" of the original.

Lotus filed suit against Paperback in January 1987, charging that the company deliberately copied, keystroke for keystroke, the spreadsheet module of Lotus 1-2-3.

The ruling sets a precedent that could apply to several "look-alike" versions of widely used software programs. It may also influence the copyright dispute between *Apple* Computer, Microsoft and Hewlett-Packard in which Apple has charged Microsoft and HP with infringing copyrights of its Macintosh graphical user interface programs.

The court's decision "is a victory not only for Lotus, but for the software industry as a whole," said Tom Lemberg, Lotus's vice president and general counsel. "This is good news for developers who, without protection, might find it *unfeasible to market* their creations," he added.

The decision appears to undermine the strategy of Paperback Software and other companies which offer look-alike versions of popular programs at prices much lower than the originals.

The court has not awarded damages or imposed an injunction upon Paperback Software preventing further sales of its spreadsheet program. Lotus's lawyers said that an injunction is expected, however, while Paperback said that it would launch an appeal.

A similar ruling in the Apple suit against Microsoft and Hewlett-Packard could limit the use of programs such as Microsoft's "Windows", which is quickly gaining popularity.

Although Apple's claims have been restricted, the appointment of a new judge to the case and the Lotus ruling provide Apple with a new *opportunity to press its claims.*

Louise Kehoe

A case of share and share alike

David Fishlock discusses ways of making better use of an investment in research and development

A high-ranking team of Soviet research managers, meeting western counterparts to discuss the exploitation of freshly declassified Soviet tech*nology and science,* were affronted by a suggestion that the West may not be interested. The Soviets are deeply proud of their achievements in space, not least in keeping people in space for up to a year.

Until recently Soviet space development was a top secret programme. But improved relations with the West and the Soviet desire to exploit their technology through international collaborations have *brought some of it into the* open.

Next year the Soviet Government intends to transfer some 5bn roubles from the defence budget to the civil sector, to be administered by the State Committee for Science and Technology.

"We have lots of technology that will excite you. Tell us how we can use western experience in market economics to generate new business," asked one Soviet delegate at a recent gathering at the Ditchley Park international conference centre in Oxfordshire. "Which models exist to show us the way?"

The Russians could not believe that the West would not bid keenly for the opportunity to share this technology for peaceful ends. But western delegates warned stubbornly of the obstacles hampering exploitation of any new technology, particularly a defence technology such as Soviet *space. They also warned how* much of the West's own prolific technology fails to be successfully exploited.

In short, they admitted that there were no infallible models for Soviet scientists to follow in trying to turn technological wealth into hard currency. Saleable technology is getting more complex, requiring more "enabling technologies". The Japanese have enjoyed the best record for two decades in turning technology into novel products, and the crucial factor seems to be the immense effort which they make to understand what the market wants before they begin to invent it.

As one industrialist familiar with Soviet industry remarked at Ditchley, a profound weakness of the Soviet system is its inability to understand what the market wants from technology and how to meet those demands.

How to make better use of research and *development* is a problem that loomed large for some 200 research managers who gathered in West Berlin *for the annual conference of* the European Industrial Research Management Association, a club of research-based European companies. Their subject was mastering the growth of technical information, which raised the question of whether R&D is indeed necessary.

R&D is widely believed to be a "good thing". The British Government wants industry to carry out much more of it, and is persuading companies to publish their R&D budgets in annual reports, hoping the City will thus be persuaded to back those who invest in it.

But how typical is the following example which came to light in Berlin? A UK engineering company's R&D centre has spent about £11m a year without question, but also without perceptible impact upon the firm's fortunes, until a new director asked: "Just what does that R&D place do?"

Doing your own R&D is one way of obtaining the information needed to create a new product or process. Alternatives, *according to Professor* Sergio Barabaschi, deputy general manager and chief technologist of the Italian engineering group Ansaldo, include buying new technology through a research contract, or licensing it, or buying the organisation with the technology you need.

Another option is to join a research co-operation with other companies such as the EC's Esprit programme in information technology, and the 19-nation European Eureka programme of long-range industrial R&D, and share the expense. Yet another is to obtain information "free" from published sources such as patents.

In Barabaschi's opinion, European industry is relying too heavily on its own R&D. He points to the growing complexity of products and processes, and the mounting cost of having the necessary scientific *skills in-house. He points to* the amount of publicly funded R&D being done by EC member countries, with a budget of *Ecu 184bn (£130bn) between* 1987-91. He urges companies to consider instead the "assembly" of knowledge culled from diverse sources. It means being creative in a different way from the traditional methods of the research scientist, he says.

New tools to support this kind of team creativity were addressed in Berlin by Professor John Taylor, director of Hewlett-Packard's new European laboratories in Bristol. It is not enough to acquire information, he said. The information has to be shared, and shared in real time if it is to be turned into commercially successful new products.

Today, perhaps 1 per cent of published information has been captured by the computer, and 99 per cent remains on paper. He believes the solution to capturing more, and facilitating the sharing, rests in treating information as images. The computer must present its data as pictures.

Patents are one source of new knowledge that may be accessed through such images. The European Patent Office is one of the world's biggest sources of technical information. It expects to process 60,000 patent applications this year. *As printed patents, this* information weighs half a tonne and occupies 50 metres of shelving, says Gerard Giroud, EPO's director of patent information.

The Patent Office's Espace project, which puts patents on compact disc with a read-only memory, strives to simplify life for the innovator. Through the Espace CD-Rom series, the year's data can be condensed into 50cm of shelf, for a production cost of only DM 5,000. EPO is funded by 14 European member states, and is beginning to excite interest in eastern Europe, where Czechoslovakia, Hungary and Poland have all applied to enter the club.

How does a company persuade its innovators to pay attention to what has already been discovered? Japanese companies rely heavily on a "human network" of open discussion of science among scientists, says Mike Goodman, vice president of Grace Industrial Chemicals. What in Britain might be called an "old boy network" serves to spread the information that makes Japan so dominant in many areas of technology.

Carlo Rossi, president of the Fiat Research Centre in Turin, says he expects his scientists to devote at least 10 per cent of their working time to speaking at conferences and workshops. His centre, with about 800 staff, is the *interface* between a group with 10,000 technical staff and universities, international research collaborations such as Eureka and the European Space Agency.

At Ditchley it was claimed that Soviet science and technology is generating 100,000 inventions a year. The Soviets received some harsh warnings. "The world is littered with technical ideas and products that have been commercial failures," said one British academic. Defence technology, plainly the bedrock of Soviet confidence in its own technological achievements, has not been a sound basis for beating swords into profitable ploughshares in western experience.

No one should embark on patenting unless they have worked out a commercial strategy, counselled a British industrial scientist. What is more, sharing a monopoly is never easy – even among friends.

A second article will appear on Thursday.

Databases head for battlefield

Opening shots are being fired in the battle for market leadership in the next generation of database management systems (DBMS), the sophisticated and expensive pieces of software which sit at the heart of every large company's data processing systems.

The DBMS stores and controls *every item* of a company's data, from payroll details to inventory and financial performance. Commercial success or failure can, and often does, depend on the efficiency with which the DBMS software retrieves the data from the computer system and assembles it into information which managers can use.

The battle now developing is between exponents of the "relational" approach, which *characterises the most success*ful databases now in use, and a group of start-up companies using an advanced technology called "object orientated" programming.

UK data processing specialists will have the chance this week to hear one of the world's leading database experts from the relational side of the battle outline his views on the creation of a "third generation" DBMS.

Michael Stonebraker, professor of electrical engineering and computer science at the University of California at Berkeley, will be giving first details in Europe of a "manifesto" for the DBMS of tomorrow which he has written in collaboration with a group of top database specialists from the relational camp.

The battle for the future of the database is developing against a background of considerable dissatisfaction among users. Butler Bloor, an authoritative technical consultancy, noted in a recent report: "We have no evidence to suggest that many relational database management systems can offer satisfactory solutions for the large, complex database implementations that are needed for an organisation's core business processing. We have substantial evidence to the contrary."

Stonebraker's manifesto group does not disagree: "Sec*ond generation systems do not* support most business data processing applications all that well," they write. "Almost everybody requires a better DBMS."

First generation systems are "hierarchical"; fast if you know what you want but otherwise inflexible. Second generation or relational databases make it possible to ask much broader questions but at the expense, until recently, of speed and *computing power.* Third generation systems have no generic name yet but are likely to draw on the strengths of both relational systems and object orientated developments.

The latest fashion in DBMS is *object* orientated systems supplied by US start-ups like Object Design, Ontologic and Symbolics. Object orientated programming is widely regarded as one of the most *important developments* in business data processing, but Stonebraker's group has reservations.

These products, Stonebraker complains, lack multilinguality, a query language like SQL, fourth generation languages and high transaction processing rates, all important to efficient database management.

The manifesto claims that successful DBMS in the 1990s will have to meet three tenets.

- Accommodate a broader range of types of data. A bank "day" for example, ends at 15.30, not 24.00. How should a photograph of a document be stored and retrieved?
- Accommodate all the good features of the second generation databases including the ability to link together disparate data.
- Be able to communicate freely with other software systems. It should be possible to make enquiries as easily in the "C" language as it is in Fortran or SQL.

Stonebraker accepts that the battle to see which products win the battle is still wide open, although he says: "Relational systems are closer to meeting our three tenets than those from the 'O' companies".

But in changing to third generation systems, the customer seems likely to lose, regardless. "Users," Stonebraker said gloomily, "are going to have a hard time of things."

Alan Cane

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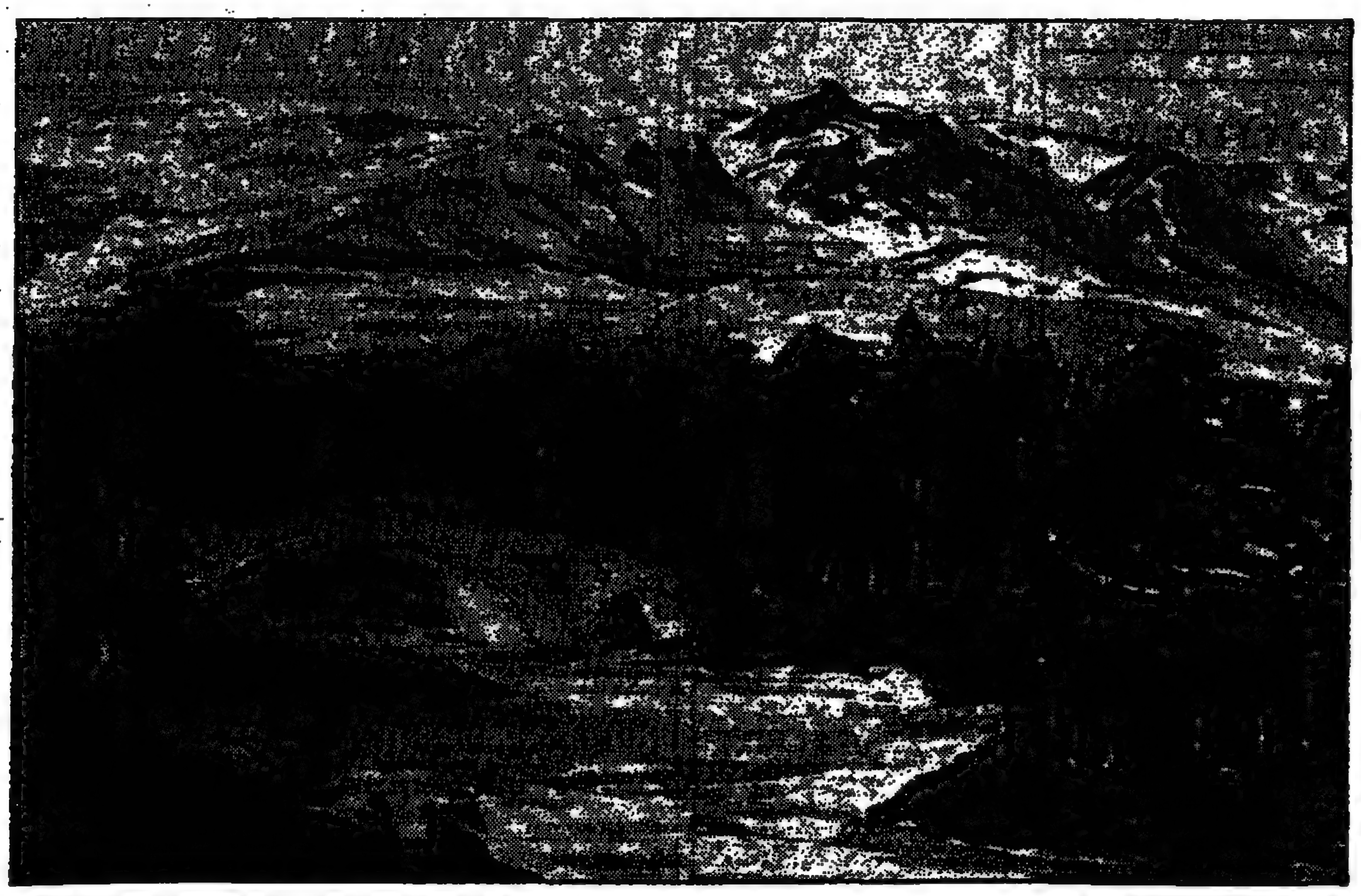

H.R.H. The Prince of Wales's watercolour "Brig O'Dee, Balmoral", on show at the exhibition, but not for auction. © A.G. Carrick Ltd.

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Entrepreneurship in the East Bloc

The struggle for an independent life

The need to break free of central planning and to nurture the creation of privately-owned small businesses is widely recognised but it will not be easy to cast off a monolithic culture. Ian Hamilton Fazey reports

As east European countries grapple with the transition from planned to market economies, it is the struggle against officialdom which preoccupies Ladislav Vostarek, a Prague lawyer who is also a rock music impresario, songwriter and head of the six month-old Association of Czech Entrepreneurs.

If his experience and that of others is a guide, entrepreneurialism is a long way off acceptance in practical terms at the grass roots microeconomy in eastern Europe.

Vostarek's problems are typical of the countries of the eastern bloc. They revolve around the rights of individuals to set up businesses, open bank accounts, obtain access to working capital and advice, employ other people and to trade with each other and the general citizenry.

After decades of suppression, privately-owned business is struggling for life. To the would-be entrepreneurs who want to fend for themselves, it is not a matter of privatising large state-run enterprises, but of allowing new small businesses to form and grow.

In countries where the size of the average payroll was about 4,000, governments and officialdom are understandably struggling to understand what entrepreneurship is about and how to nurture it.

Vostarek and the 100,000 people who have already joined his association believe they should be in the vanguard of economic change, but planning dies hard among planners.

"We are suffering from a weight of bureaucracy," he says. "Bureaucracy is an obstacle between the people and the government. The old and usually communist bureaucrats try to preserve their chairs and show their indispensability. Under their slogan of 'We cannot allow anarchy in our economy,' every activity must be checked and controlled.

"You need 13 official stamps if you want to form a company with permission to export, ten if you try to start a simple business like a travel agency. You have to spend a lot of time queuing outside the doors of clerks in their offices.

"There is a 30-day wait for permits. You have to wait weeks to be entered on the official register. All safety and fire precautions have to be officially inspected. There is little support for anyone. It is totally different from in the West.

"We don't have a properly operating banking system to obtain loans. We live in doubt about whether raw materials will be available, and about how much tax we will pay at the end of the year. There is no certainty, only adventure."

Florin Burada, the head of a new consultancy for small businesses in Romania, says the government in Bucharest has so far issued 21,750 permits for people to start up small firms but only 11,270 have been able to get going so far, despite 78 per cent of the permits relating to uncomplicated businesses such as selling food, and simple, local trading.

"There is a problem because all of these small firms have asked for premises," Burada says. "Local town halls have not been dynamic in looking for suitable places for them. The legislative framework has yet to be set up to provide the conditions in which these firms can operate. There are also problems over lack of raw materials and lack of equipment."

Tamas Horvath, research associate in the economic unit of the Hungarian Academy of Sciences, says that in most East Bloc countries, the communist party always allowed a small private sector – provided it consisted mainly of one-man businesses, usually jobbing builders, mechanics or similar craftsmen.

His own research has shown that in Hungary their numbers remained static throughout the 1980s, irrespective of government claims that self-employment was on the increase. The rise, he says, was in numbers of taxi-drivers, but their ranks are now saturated for the size of the economy and taxi-drivers are themselves trying to limit numbers of new entrants.

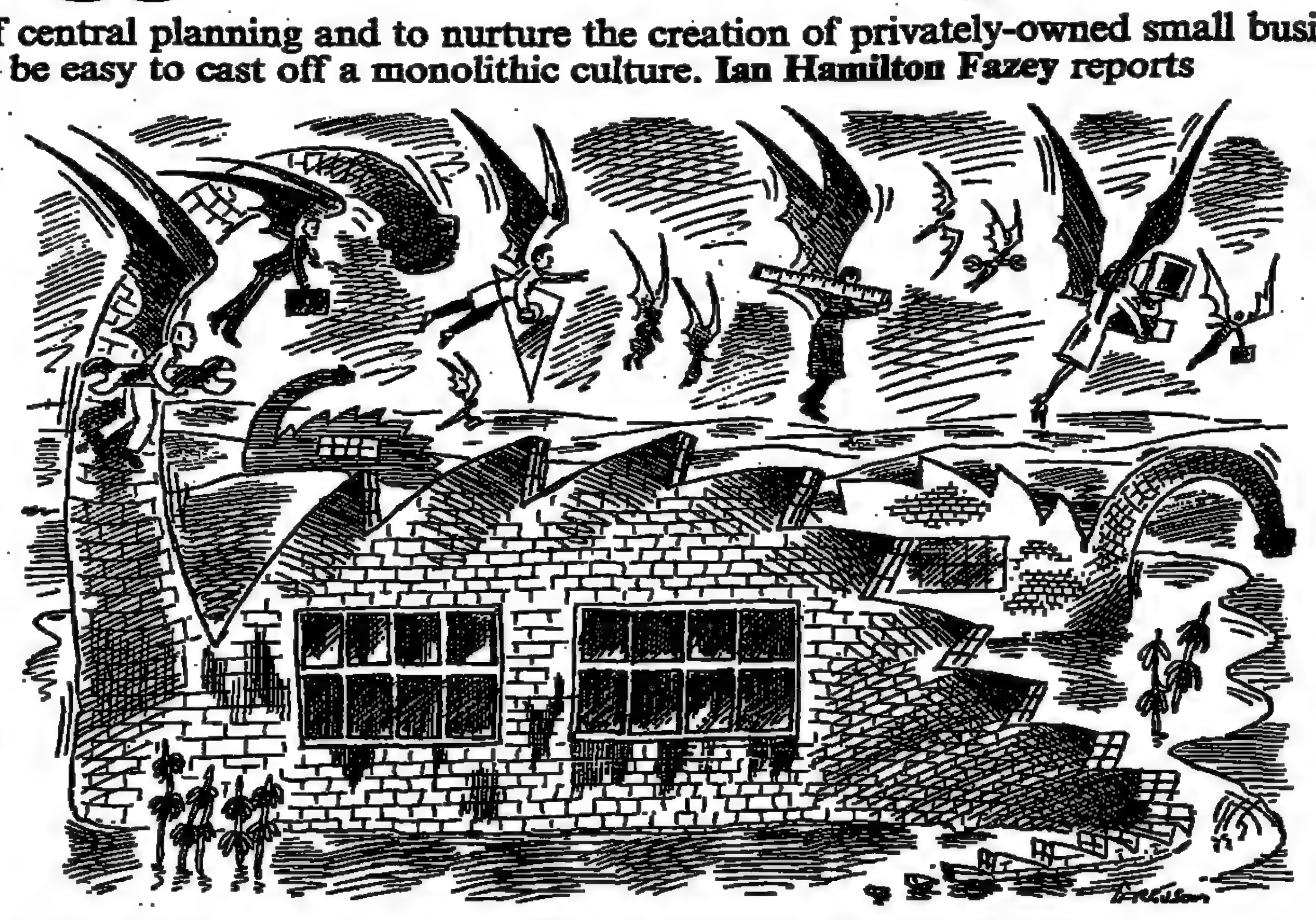
He sees change happening, but very slowly. For example, in 1970, one in every four of Hungary's 69,303 self-employed artisans themselves employed someone else. In 1988, 90,299 artisans had 55,921 employees between them – a rate of nearly two jobs created by every three self-employed people.

However, the numbers involved are minuscule in a population of about 12m and Horvath says that it will be a long time before they can make a significant impact on the prevailing commercial culture.

Britain, in comparison, has about 1.6m small businesses and 12 per cent of the workforce is self-employed. This is an improvement on the 9 per cent of 1979 but still lags behind West Germany and Italy, which help pull the European Community average up to 16 per cent.

The contrast nevertheless remains telling even when one of Britain's worst examples of a dependent, low-skilled, high unemployment, local labour market is considered. Kirkby, on Merseyside, has only 4.5 per cent of its workforce in self-employment.

However, the corresponding figure for the whole of East Germany is 2.1 per cent.



Giving people the right to do simple things such as open bank accounts or employ others was an emergent cry at conferences organised last month by the Organisation for Economic Co-operation and Development (OECD) in Trieste and Berlin. The conferences were designed to assess the match between what the West could provide and the East absorb in encouraging entrepreneurship.

Entrenched official attitudes and a dependent culture look like being among the biggest obstacles to the development of private business from the bottom up.

As Professor Nikolai Smeloff, economic adviser to President Mikhail Gorbachev, puts it: "There is a reluctance to give freedom to private enterprises to hire their own labour." But he warned of considerable unemployment to come. "At least 25 per cent of the Soviet labour force is surplus at the moment and at least 20 per cent of state-owned enterprises will close."

Christopher Brooks, head of the OECD's programme for local employment initiatives, says that making life difficult for people like Vostarek will stifle economic development, not least because encouraging the growth of small and medium-sized enterprises itself helps develop a self-perpetuating middle-class, which in turn helps stabilise society.

"It will be at our peril that we do not take seriously small firms, growing small firms, self-employment, entrepreneurship and local development. Western governments used to ignore small firms in favour of easy relations with big business and macroeconomics. It was a mistake," Brooks says.

"We have to accept that entrepreneurs are difficult to control; that they have the habit of saying what they think. Bureaucrats don't like them. They will be a source of trouble and confusion in eastern Europe. In Russia the very word 'entrepreneur' is an insult.

"But the question is not whether small is beautiful or ugly, but whether small is efficient. The eastern nations have to accept this because of the proven correlation between job creation and small and medium-sized enterprises.

"The evidence is that entrepreneurs can be trained and that entrepreneurship can occur almost anywhere," he says.

West Germany's leaders see the development of small business as an important force in purging "sclerosis" from eastern economic structures. Help, advice, capital, and careful nurturing in business incubator units and managed workspace are on offer.

Heinz Fiedler, executive director of the Association of German Technology and Business Incubator Centres (BICs), says: "If you start a business in a country where you don't know if the economy is even going to survive and where regulations change every day, this is too much of a risk for most people. Incubators will help ease this problem."

The West German Government has given DM25m (£8.62m) to help establish 15 BICs in East Germany. They will link into West Germany's network of 80. Fiedler says that they will be important for the role models created by successful businesses within them.

He acknowledges that East Germany's is a special case. Of the other East Bloc nations, Bulgaria is planning 12 BICs, Czechoslovakia is setting up three, and there will be one in Poland. The Soviet Union is considering a network of BICs and science parks.

The foundation stone for Yugoslavia's first BIC was laid earlier this month when the OECD's Trieste conference moved to Capodistra for the purpose.

BICs, however, are an institutionalised way to foster small business growth. Similar types of managed premises with centralised support services and ready advice have also proved successful in Britain, but they can only cater for a minority of small companies.

Significantly, perhaps, among the papers most in demand by east Europeans at the OECD conferences to copy back home were those on the history and workings of the UK's enterprise agencies.

Their prime purpose is business counselling for small businesses although many also run other services, such as incubator units and venture capital funds.

Simple advice at the "how to do it" level is what seems to be needed most, along with freedom from bureaucracy and access to working capital.

Poland has just formed a Bank of Social and Economic Initiatives, with support from French banks, to address this latter problem.

Pawel Wyczanski, who has joined it from the National Bank of Poland, says: "We need trained people from enterprise agencies. We need advice from people who have done it.

"We are having to learn how to assess risk among 'unbankable' people. The bank's main role will be to give extended credits to new businesses as well as to enterprises which can employ more people. The UK example of enterprise agencies is very important to us."

The need for speed and know-how is stressed by Jan Bielecki, newly elected to Szczecin's city council. "People are disappointed because they expected Solidarity to take immediate steps to improve standards of living. How do we convince them we are right to foster entrepreneurship, training and small businesses, instead of giving everyone pay rises?" he asks.

"People felt safer in old-style, big state companies run the old way. Self-employment is not all that people need. We need support in business planning and financial management."

Pal Reti, of the World Economy Weekly, which is published in Budapest, says that caution is also needed. "Acceptance of entrepreneurship as a social value is only on the surface. It is not accepted that a successful entrepreneur should become rich in a few years. If there is not more acceptance, the movement will fail."

Reti is also worried that the transmission of Western aid could be a matter of luck. One US bank which announced a fund for small businesses was so inundated it was impossible to evaluate applications properly.

He also sees an irony. Small business development in the West has been encouraged and aided by governments, usually working in some sort of partnership with the private sector and local authorities.

"But in Eastern Europe there is a continuing withdrawal of the state from all sectors of the economy," he says. "The irony is that we need state help."

Zoltan Roman, of the Hungarian Academy of Sciences, says: "There is a reaction against state involvement in anything."

The assumption is that more help will have to come from the West. Sergio Arzeni, an OECD expert on small business development, says that financial instruments and structures are needed to nurture spontaneous entrepreneurship at the level of tiny businesses, as well as the more promising high technology projects that often emerge in BICs.

"You have got to develop financial entrepreneurship alongside all other forms of entrepreneurship," he says.

However, a more gloomy note is sounded by Doris Cornelson of the German Institute for Economic Research in Berlin. "The question is not the amount of help from the West, but the capacity for absorption in the East," she says.

"Structural adjustment, capital equipment and new technology are the main things needed in the reconstruction of the economies of Eastern Europe. Past reforms always stopped where the political power of the Party was threatened.

"There is no elementary basis for a market economy in the East. There are also lots of studies of how to move from a market to a planned economy, but none that looks at it the other way round."

Things may have to get worse so as to force the old officialdom from its fastness. Jan Zurek, an economic consultant and co-founder of Vostarek's association, has just been appointed to KPMG Peat Marwick McLintock's office in Prague.

He says: "Wait. That's the main advice I would give to people wanting to invest in Czechoslovakia. They will be disappointed if they come in now. The whole of our society has first got to understand what this market economy is."

Bottom-up pressure from frustrated would-be entrepreneurs is seen as an important spur.

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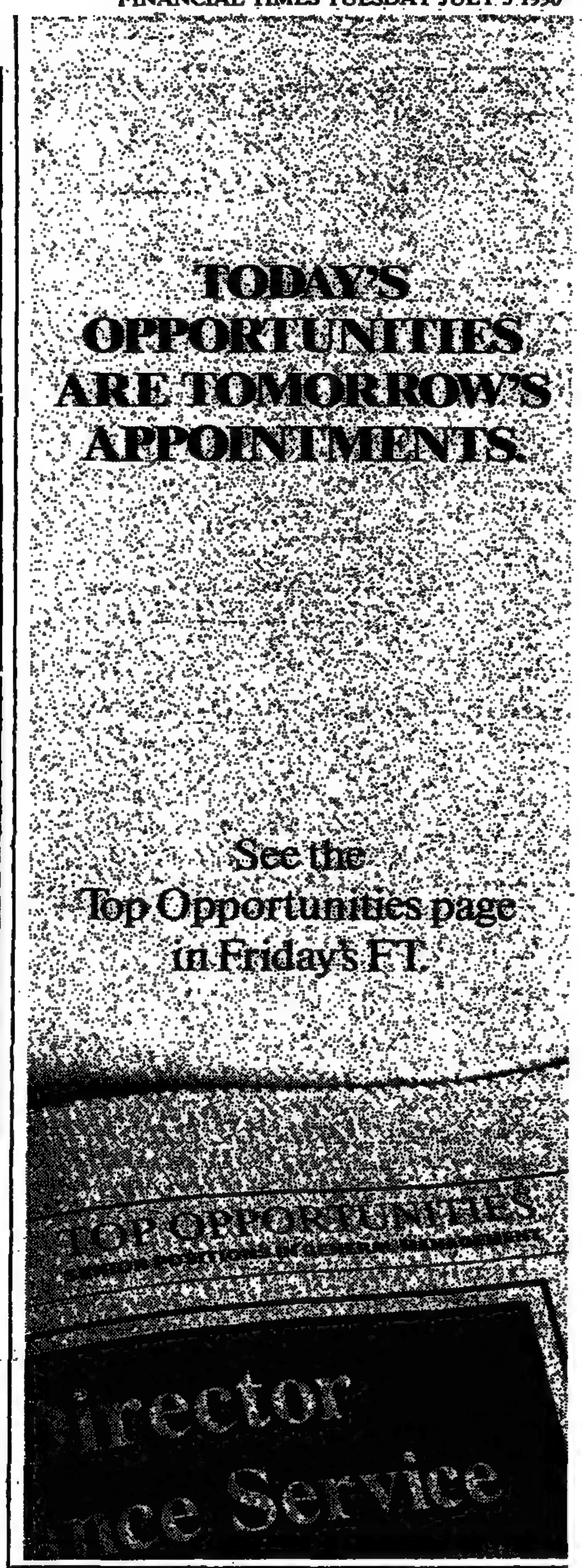

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Idomeneo

COVENT GARDEN

The latest period-style opera offering of the English Bach Festival was a single performance of *Idomeneo*, the first of its kind in this country. It was interesting, serious, and thought-provoking, as this enterprise's opera ventures always are; they force one to re-examine comfortable ideas and beliefs about 18th-century dramaturgy.

This was particularly the case in an *Idomeneo* which gave us much more of the opera's dance passages than usual, including a complete account of the chaconne that Mozart placed as the finale, in accordance with the traditions of French-influenced serious opera of the period. (In the Royal Opera's own Idomeneo, produced by Johannes Schaaf, the chaconne was given in truncated form and used for the purposes of send-up.)

Mozart himself was proud of this dance finale; before the Munich first performance he held to it tenaciously, even after making deep cuts elsewhere in the great score. In Stephen Preston's choreography (not perhaps ideally well delivered), and with the beautifully executed sea-prospect (after Quaglio's 1781 designs) in the background, this stately closing episode to the opera seemed to round off its grand structure in uniquely satisfying fashion.

One understands why modern *Idomeneo* producers are wary of including dance in their shows — it gets in the way of contemporary views of music-drama — but it is, after all, the blend of 18th-century grandeur and timeless humanity that makes this one of opera's greatest achievements, and the dance element certainly underlines the sense of formal grandeur.

On the whole, though, I thought Sunday's performance somewhat less satisfyingly finished than the festival's two Gluck offerings of the last few years. Tom Hawkes's production, as usual sensitively worked on an insufficient number of choral members, seemed under-rehearsed — though the speed of scene-change afforded some impressive dramatic effects, and the movement of each act towards its climax was deftly controlled. But the abiding dramatic weakness was not of his making: the limp conducting of Antonio de Almeida, which turned long stretches into undifferentiated plod. In spite of the presence of a "period" orchestra this was an *Idomeneo* denuded of much of its marvellous orchestral colour.

The principals had plainly not worked together sufficiently long to achieve unified modes of vocal and stage address. The most adept in carrying her costumes was Valerie Masterson, an Ilia whose abundant grace, dignity, and vocal elegance compensated for passages where vocal husbanding (highly skilful, by and large) was particularly evident. Françoise Pollet, the French soprano introduced to this country on a recent, admirable Erato opera-recital record, made her British debut as Electra — grandly and in ample, large-lined style.

Lucille Beer's warm mezzo proved not always exactly in focus for Idamantes (it was a mistake to include "No, la morte," which in any case holds up the climax of Act 3, as Mozart himself recognised when he cut it). Rüdiger Wohlers, though he tried hard, was vocally quite unsuited to the title role, especially in a presentation of this kind.

Max Loppert

New Year

GLYNDEBOURNE FESTIVAL

Last October Sir Michael Tippett's fifth opera was premièred in Houston — whence Max Loppert sent a warm report to this page — by the city's Grand Opera, who had co-commissioned it with Glyndebourne and the BBC. It reached Glyndebourne on Sunday in louring weather ("L'été anglais," one visitor murmured as she settled cautiously on the lawn for the picnic-interval), but with Peter Hall's production intact, and most of the original cast. More of them than expected, in fact: for the mezzo Felicity Palmer had "withdrawn" from the role of the foster-mother Nan after the programmes were printed, and Jane Shaulis was flown over to re-create her.

Miss Shaulis carries the part well — suitably mature tones, and an air of troubled decency — but she leaves us uncertain about just how formidably strict Nan is meant to be. (Presumably the formidable Miss Palmer had been cast to eliminate any doubt whatever.) For an intended crux of the opera seems to be whether her delinquent black foster-son Donny is to submit to her well-meant "discipline," or to go on sheltering with her older foster-child Jo Ann, who has majored in child psychology and believes only in "love," but is afraid to step outside her apartment in Terror Town; and like all the other themes of *New Year*, this one seems to hover tantalisingly between visionary intention and stage realisation.

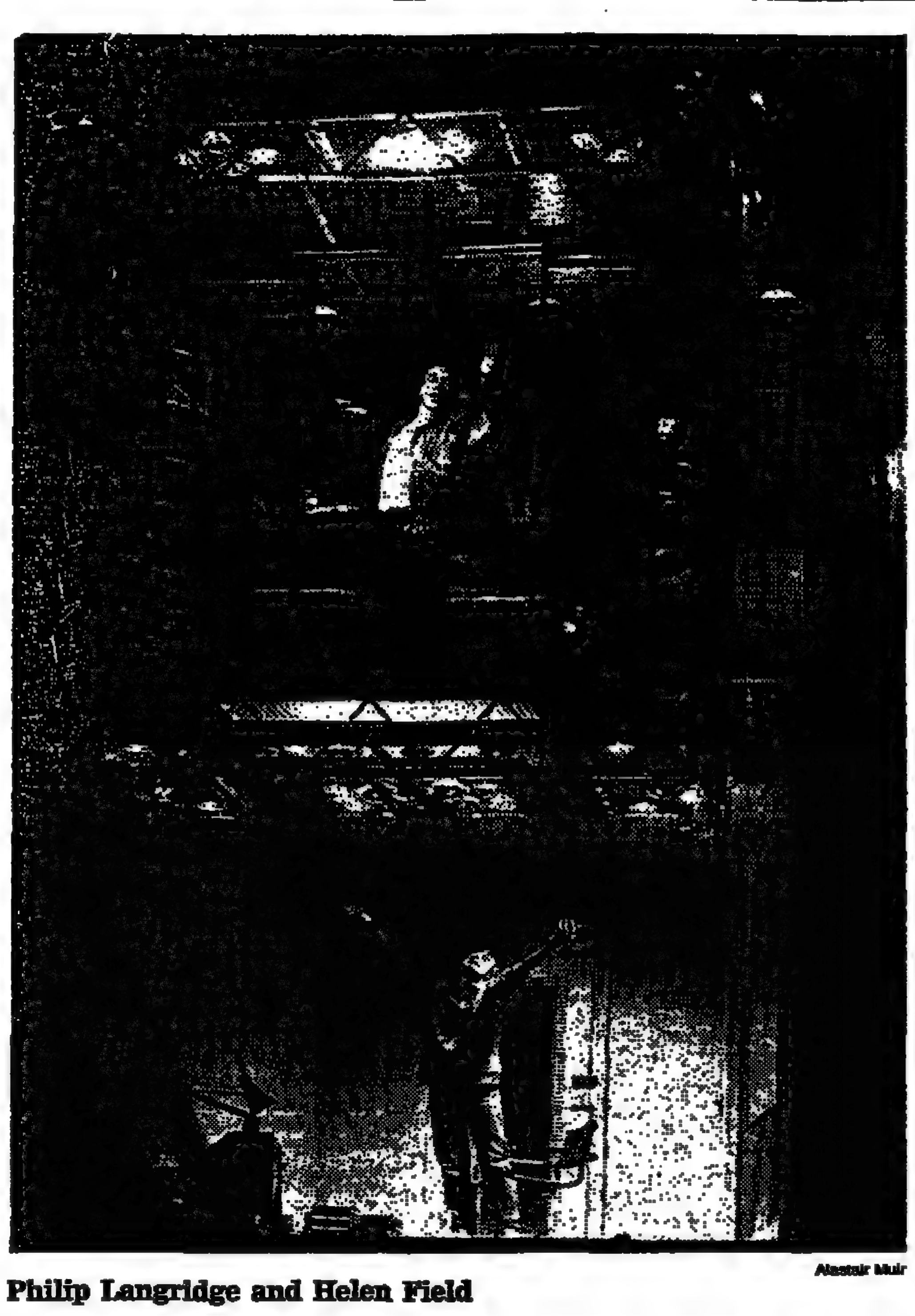
The other themes include most of our modern inner-city problems, which the composer (85 this year) addresses from his usual lofty, mythopoeic viewpoint. While Donny taxes his imagination to recover his "Caribbean and/or African past" and becomes the ritual scapegoat in a New Year's Eve crowd-scene, Jo Ann's private anguish is seen on video by Pelegrin, a space-pilot from "Nowhere Tomorrow" who immediately changes his mission from a foray into the future to a romantic search into the past. They fall in love, and after some time — and space-hopping — and a symbolical choice out of Strauss's *Die Frau ohne Schatten*, Act 3 — she feels well enough to go out-of-doors.

The other principals, Pelegrin's technological superior Merlin and their domineering, future-mad boss Regan, are symbolic caricatures whom James Maddalena and Richetta Manager sketch with such verve as to make us regret that they are allowed only to be cartoons. Alison Chitty's semi-high-tech designs compare prettily with those for the grander *Metropolis* musical (much lamented: if the theatre-critics hadn't been so sniffy, a lot more people would have enjoyed it very much), and Hall's production lays on everything within reach to make the proceedings lively and comprehensible — to the point of running chatty supertitles which summarise the sense of each scene.

The effect is to bring *New Year* frankly into the comic-strip orbit of *Metropolis*; but why not? The jump-cut style of Tippett's previous opera *The Ice Break* (soon to enjoy a Prom revival) still sustained an undercurrent broader and deeper than its cartoon stereotypes. The trouble with the new opera, however, is that it not only trades upon character-histories which we don't see but are merely told about — in frequently undecipherable words, even at Glyndebourne — but runs out of musical steam before Act 3.

Act 1 introduces everybody with striking musical ideas, familiar late-Tippett material but tautly strung in operatic sequence. (Bluesy saxophones and a pair of electric guitars figure prominently.) Act 2 is padded out with stock electronic stuff, professionally effective; there is a forceful heterophonic ensemble for all the main characters at crisis-point which is rousing, but doesn't draw the dramatic threads together any more than the closing chorus of "Auld Lang Syne" does. Act 3 is not only mimsy beyond retrieval — besides the "What's your poison?" routine from *Frau ohne Schatten* we get space-visitations, a magic appearing-and-disappearing rose and a pair of dancing spirits to help Jo Ann find her feet — but pays low musical returns, recycling earlier passages and adding only some "transfigured" rhetoric for her and for the Presenter.

Throughout, in fact, the Presenter has to present a great deal of background that hasn't been dramatised. Nigel Robson sings him splendidly (though the prescribed amplification doesn't help his words), far better apparently than his Houston counterpart, and he makes the most of Tippett's new fluency in the quasi-American idiom first tried out on Dov in *The Knot Garden*. Helen Field as Jo Ann and Philip Langridge as Pelegrin limn their roles with exemplary fervour,



Alastair Muir

Philip Langridge and Helen Field

Langridge wielding a quaint kind of RAF period-glamour. As fractious, singing-and-dancing Donny, the remarkable Krister St Hill makes every note and gesture tell. Tippett lets him fade away too early, though, on a home-video which is supposed to represent his "secret dreams" — but reveals him in his own hair instead of the Raggedy Andy wig he sports onstage, which damps the scathing intensity that is his special quality.

In short, the score dwindles prematurely, bequeathing us only fitful, under-motivated glimpses of a vaguely idealised action. (Barely disguised echoes of the *Midsummer Marriage* rituals keep prompting us in the right direction, and for good measure the fading-to-infinity cadence of Holst's "Neptune" too.) Hall and his cast make it seem a good bit more, and fun while it lasts; but it does maunder, and for Act 3 you need to be glazed to indulgence by an unstinted picnic-supper.

David Murray

Bowles and Beckett

ALMEIDA THEATRE

Characteristically cosmopolitan, the Almeida Festival's latest segment devoted to "words and music" kicked off on Sunday with an exploration of work by an expatriate couple in the Anglo-American literary tradition with an aesthetic view almost casually spanning the hemispheres.

Jane Bowles, best known for her novels, was illuminated as a dramatist with a rehearsed reading of her one play *In the Summer House*, incidental music by her writer husband Paul (pastiche Mexican alternating with cool Fauré-like wistfulness for harp, wind and percussion). Recently associated with Tangier, the Bowles lens turns California with its noisy (almost) indigenous population of colourfully exasperating Mexicans into another blandly unconquerable alien landscape to puzzle and frustrate the questing rich.

Wealthy widow Gertrude Eastman-Cuevas is a monstrous *grande dame* in Tennessee Williams mould (*Milk Train, Suddenly Last Summer*). She dotes, perplexed, on her broodingly detached daughter while fending off the advances of a caricature Hispanic suitor and his vast retinue (a wonderful Latin-American performance of screaming ebullience from Julia Swift). There but for poverty goes Amanda in *Glass Menagerie*. Add a slightly batty bereaved mother (played with her usual scrupulous balance between pathos and absurdity by Anna Massey) and proletarian robustness from the local seafood restaurant, and you have Williams *rechauffé*. Or rather you don't: the Bowles style of off-hand sentiments expressed in pointilliste language is altogether more elusive.

At an age when most actresses are revealing the Lady Bracknell they may become, Janet Suzman is too brittle for the manipulating Gertrude: throwaway instead of guided missile. Convincing in the character's lonely comeuppance, she misses the irony of lines like, "I've always hated everything that's larger than life" — through fear of competition, surely. Laurel Lefkow succeeds in arousing interest in the daughter whose solipsism verges on the autistic; Sandra Caron's acerbic barmanageress is the one member of the cast to get every word over.

Peter Eyre's direction of the rehearsed reading occasionally moves the actors from their seats, even bringing on prop furniture. What emerges is a stylistic homage to Tennessee Williams and Ronald Firbank, the arabesques and attitudinising of the isolated, with an anti-climactic descent into that ersatz-Chekhov of the 1950s commercial theatre, N.C. Hunter.

It was in Hunter's *Day by the Sea* that your infant critic first saw Irene Worth. Sunday night's tribute to Samuel Beckett brought her back for 18 minutes of the monologue *Eh Joe* which had more riveting drama than the 35 minutes of the monodrama that preceded it. Soprano Ann Pemberton-Johnson joined multi-track tapes of herself in Heinz Holliger's setting of *Not I*, only her mouth illuminated, as with Billie Whitelaw's "straight" theatre performance. The jagged vocal line, all leaping intervals, occasional spoken register, very occasional lyricism, is good 1960s stuff. Earl Kim's astringent accompaniment to *Eh Joe*, a harshly textured brass and string sextet, was something else. Miss Worth crouched over a music-stand addressing a video of Ian McDiarmid: those faintly diabolic upslanted eyes and ironic (and disconcertingly sensual) mouth are now pouched in a face saurian with experience. The voice is as young and resinous as a baroque cello. Nebraska-born, Miss Worth once adopted the British theatre, and we should grapple her to us with hooks of iron. Peter Brook knew her worth: six of the last theatrical dame you care to mention.

Martin Hoyle

Master of the non-objective image

William Packer reviews Naum Gabo at the Annely Juda gallery

Tucked away in its rambling old gallery in Tottenham Mews, between the Middlesex Hospital and Charlotte Street on the northern fringes of Soho, Annely Juda Fine Art has been such a fixture of London's art world these 20 years past that it will hard not to turn one's steps involuntarily in that direction in answer to any future summons to an exhibition. But this is no sad story of closure or retirement. Mrs Juda and her son David have been translated westward a mere half a mile or so to, if anything, an higher and certainly a smarter seat.

Their new gallery looks out over the rooftops of Mayfair from the top floor of 23 Dering Street W1, a stone's throw across Hanover Square to St George's Street, where Mrs Juda had her first gallery some 30 years ago. The move is a kind of coming home, even though with d'Offay the pioneer and Grob, Reynolds already there, with Interim soon to move in from the East End, Dering Street has suddenly become the most smart and lively of art addresses.

In the event the inaugural show is itself a mark of Juda Gallery continuity, for it has long been its custom to put on as its summer show, under the generic heading of "The Non-Objective Image," a major study of some aspect of the Constructivist Movement, and the development of abstraction in that tradition since the early 20th century. This year, to mark the centenary of his birth the subject is the Russian sculptor and designer, Naum Gabo, one of that movement's pioneers, who died in 1977. It is a small but exquisitely chosen show of sculptures and drawings, effectively retrospective and beautifully presented.

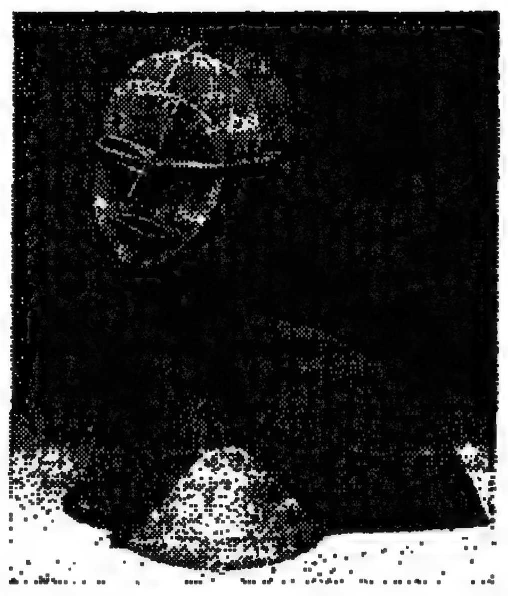
The catalogue is handsome as always and, more than that, a useful original document, with critical essays from Michael Compton and Professor Jorn Berkert; and personal memoirs from Patrick Heron, who as a young man knew him in his time in Cornwall during the war; and Sir Norman Reid, who worked closely with him on the retrospective at the Tate in the year before his death. It also gives "The Realistic Manifesto," which he and his brother, Antoine Pevsner, published in Moscow in 1920.

In common with most such youthful enthusiast effusions, the document is at once touchingly sincere, wildly pretentious, hopelessly mistaken, funny, cranky, full of stimulating ideas and much good sense. "Above the tempests of our weekdays..." it begins, "Before the gates of the vacant future, We proclaim to you artists... The impasse into which Art has come to in the last 20 years must be broken... The attempts of the Cubists and Futurists to lift the visual arts from the bogs of the past have led only to new delusions... We say... Space and time are reborn in us today... 1. Thence in painting we renounce colour as a pictorial element.... 2. We renounce in a line, its descriptive value... 3. We renounce volume as a pictorial and plastic form of space... 4. We renounce in sculpture, the mass as a sculptural element... 5. We renounce the 1000 year old delusion in art (of) static rhythms... Today is the deed..."

Brave words, but yet how oddly formal, static and even beautiful in conventional terms these things are. Gabo had been in Paris before 1914 and responded directly to Cubism. He had travelled widely through Europe and, returning to Russia in 1917, was clearly soon in the thick of things revolutionarily artistic. Indeed he seemed ever on the move, leaving for Berlin in 1922 and then on to Paris ten years later, to England in 1939 and at last to America just after the War. He knew everyone it seemed, was constantly engaged in the theoretical, programmatical, art-political debate.

But art can never shrug off its formal responsibilities, escape being what it is, as it is made and put together, no matter how bright the mind that conceives it. One of the heresies of modernism (there are a few) is the belief that the idea of itself is enough, the artist sufficient in his acquittal merely in the statement of it. For many very clever men are seduced by the wish to be an artist, who are yet quite unable to make or model, paint or draw, and are all too readily persuaded that such mundane practical requirements do not matter. In Gabo we see an artist treading that narrow path between the wish and the resolution, for he was never an easy draughtsman, his line awkward, his imagery always more technical and diagrammatic than pictorial. As a sculptor his innate aestheticism is what saves him, choosing materials precise and elegant in their own physical character, metal rod, plywood and plastic sheet, and disposing them more with a designer's nicety than a sculptor's intuition. Only occasionally would he carve, and that very late in his career.

But he gets away with it in spite of himself. Project for this, project for



Constructed Head No 1: triple layered plywood, 1915

that, construction in space: suspended, construction with net, model for rotating fountain, for torsion, for bronze spheric theme, monument for an airport, to the astronauts — the titles, brisk and neat as an inventory, disarm and expectation and deflect criticism by proposing the substantive work to come. And yet the proposals, the theories, the inferred excuses fall away as these quiet things draw us to them for what they are in the physical space they occupy and inform with their turning, twisting planes and banks of nylon thread. The layered plywood "Constructed Head" of 1915 remains the engaged and serious enquiry it always was and truly monumental in its own scale. And we could wish that the spare and elegant "Monument for an Airport" of 1936/46, all air and speed, might still be made to the true and properly monumental size in which it already exists in the imagination.

Borodin Quartet

QUEEN ELIZABETH HALL

From November this year the Borodin String Quartet will take up position as Artists-in-Residence at Aldeburgh. This will involve not only appearances at the Festival in June, but recitals in each of Aldeburgh's other main periods of activity and work at the Britten-Pears School. The press release announcing the news remarks as an aside that this will be a residency "in the true sense of the word."

With that in mind one is perhaps invited to make comparisons with the South Bank, where the Alban Berg Quartet have kept their residency a low-key affair. On Sunday afternoon the Borodin Quartet were there, at the Queen Elizabeth Hall, for the first of two recitals and the standard of their playing was, as ever, so high that it is tempting to say that Aldeburgh will have the better of it, at least if they appear as often as promised.

A seeding of international string quartets is not an easy business. The Borodin Quartet give away little in terms of technical expertise to any other group of players, even the Alban Berg, whose precision in matters of rhythm and matching of tone is second to none. But when it comes to the tie-break, the Borodin's ability to draw limitless expression from their playing would surely see them through, as it did in Schubert and Mozart at the weekend.

The first movement of Schubert's Quartet, D.804, catches the composer in his intense A minor mood, familiar from the earlier piano sonatas, and might seem to demand a more attacking style than the Borodin offered; but it is difficult to imagine the music sounding more rapt than it did here. In the Mozart D Minor Quartet, K.421, even the skittish trio spoke volumes, the leader's scotch snaps dancing to a subtly different tone in every phrase.

As befits a group on its way to Aldeburgh, some Britten was included in the programme. The Three Divertimenti are early pieces, leftovers from a suite that was never finished, not entirely satisfying on their own, but they served to show off another side of the Borodin's character, as sparks of virtuosity flashed off brilliant and fierce music. The other recital on Thursday week (12 July) will feature Beethoven and Shostakovich.

Richard Fairman

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ARTS GUIDE

June 29-July 5

OPERA AND BALLET

London

Royal Opera, Covent Garden: The first production in London for more than a century of Rossini's *Guillaume Tell* is by John Cox, conducted by Michel Plasson, and has Gregory Yurisich, Chris Merritt, Leila Cuberli and Robert LLoyd in leading roles. Latest round of the company's much-revived *La Bohème* production by John Copley; Antonio Pappano conducts, and principals include Ilona Tokody, Jerry Hadley and Jonathan Summers, with Dennis O'Neill and William Shimell taking over as Rodolfo and Marcello on July 5.

Ballet. At the Coliseum the life-enhancing Kirov Balit presents *Giselle* (world's best production) on Friday and Saturday; then presents a fascinating triple bill of two Balanchine ballets and Vinogradov's *Petrushka* on Monday to Wednesday. At Sadler's Wells the thrilling Cumbre Flamenca troupe plays on.

Paris

Opéra. *La Sylphide* in Pierre Lacotte's choreography replaces *La Bayadere*, which will be produced later on (47425371).

Antwerp

Koninklijke Opera. The Royal Flanders opera in Tchaikovsky's *Eugene Onegin* conducted by Rudolf Werthen, staged by Adolf Dresen with Mireille Capelle, Pavel Chernykh and Chris De Moor (Wed, Sun).

Berlin

Opera. *Lohengrin*, in a new production by Götz Friedrich, has a strong cast led by Peter Seiffert in the title role, Eva Johansson, Olivia Stapp, Jan-Hendrik Rootering and Helmut Welker. Expertly conducted by Jesus Lopez Cobos, who will be leaving Berlin. *La Bohème* returns with its original cast of Kallen Esperian, Gwendolyn Bradley, Antonio Ordonezand Andreas Schmidt. Roland Petit's ballet *Notre Dame de Paris* rounds off the season.

Frankfurt

Opera. The successful Lievi brothers' opera debut last year has brought them back to Frankfurt with a new *Macbeth* production. It will have with Cesare Lievi as producer and Daniele Lievi as designer with an interesting cast led by Rosalind Plowright, Juergen Freier, Rene Pape and Vinson Cole, conducted by house director Gary Bertini. Further performances of *Il Barbiere di Siviglia*, Offenbach's three one act pieces by Monsieur Beaujolais and his company, and *Rusalka*.

Stuttgart

Opera. Offenbach's rarely played operetta *Der Karottenkönig* returns. A triumphant production by Gian Carlo del Monaco of *Otello* stars Gabriela Benackova-Cap, Wladimir Atlantow, Roland Bracht and Mario di Marco. There will be two guest appearances by the Hamburg Ballet Company with *A Midsummer Night's Dream*, and Karlsruhe's with *Lorca Lasado*.

Madrid

Teatro Lirico Nacional la Zarzuela. Bellini's *I Puritani* closes the Madrid opera season, conducted by Miguel Roa with a cast led by Mariella Devia and Luca Canonici. New production co-produced by La Zarzuela and Teatro Comunale (Bologna). Ends July 13 (429 82 25).

Milan

Teatro Alla Scala. *Liliana* Cavani's successful production of *La Traviata*, conducted by Riccardo Muti, with Tiziana Fabbricini and Roberto Alagna in the lead roles (80.91.26).

Rome

Terme di Caracalla. The Rome Opera's summer season opens with Mascagni's *Cavalleria Rusticana*, with Ludmila Semchuk, Vyacheslav Polozov and Bruno Pola and Leoncavallo's *Pagliacci*, with Fiamma Izzo d'Amico and Vladimir Atlantov, conducted by Reynald Giovaninetti (46.17.55).

Verona

68th festival at the arena. Verdi's *Aida* (as usual) conducted by Nello Santi opens the festival, this time in a new production by Vittorio Rossi. Maria Chiara, Nicola Martinucci and Fiorenza Cossotto lead the cast (28.151).

Tokyo

Balinese Dance. Kecak dancers from the village of Teges perform at the Zenkoji Temple (ends Thur) (5237 9988).

Die lustige Witwe (Lehar). Staatstheater am Gartnerplatz, Munich. Tokyo Bunka Kaikan (Wed, Thur) (289 9999).

SALEROOM

Another £1.16m for the BR Pension Fund

The British Rail Pension Fund is remorselessly disposing of the works of art it acquired in the 1970s. To date it has sold art for over £90m (as against an initial investment of £40m) and it still has important Old Master paintings, among other items, to sell. Yesterday 30 of the Fund's Old Master drawings went under the hammer at Sotheby's, and 23 of them found buyers, adding £1,163,700 to the Fund's reserves.

Hermann Shickman, the New York dealer, paid £308,600 for a gouache from the Fund's collection, painted by the Dutch artist Hans Bol in 1589. It illustrates the story of Venus and Adonis and doubled its estimate. A rare pen and ink by the Venetian artist Vittore Carpaccio went at the bottom of its estimate for £220,000. In 1976 the Fund bought it for £78,000, which hardly suggests an amazing appreciation. It was acquired yesterday by another New York dealer, David Tunick.

Shickman, again, bought "The Toilet of Venus" by Joseph Heintz the Elder for £143,000 and yet another New York dealer, Brady, paid £121,000 for a reclining male nude by Giovanni Battista Tiepolo. All told the auction brought in £2.4m, with 14 per cent unsold.

The Tribal art was its usual unpredictable self making £1.2m, with 22 per cent bought in. A Songe (Zaire) male community magical figure made £178,500 and a Ngbaka harp in the form of a human figure, also from what is now Zaire, was on target at £104,500.

An Urbinoi Istoriato dish, made around 1540 and painted in the famed workshop of Orazio Fontana with Christ appearing to Mary Magdalene, realised £63,800, double estimate, at Christie's. It was in a continental ceramics auction which totalled £730,983, with 18 per cent unsold. A dish from the same workshop with the Legend of Deucalion and Pyrrha after the flood, sold for £44,000 and a Naples set of six coffee cans and saucers each decorated with faces of the ruling Bourbon family did exceptionally well at £41,800.

Not surprisingly the European art fair planned for Tokyo in 1991 has been cancelled following the fiasco of Antiques Tokyo 90 in May. However, the Grosvenor House Fair attracted a record attendance of over 20,000. Oriental works of art were particularly popular, with Bluett selling over £1m worth of antiques.

Antony Thorncroft

FINANCIAL TIMES

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Tuesday July 3 1990

Mr Pöhl on EMU

IN HIS speech to the Institute of Economic Affairs, Mr Karl Otto Pöhl, President of the Bundesbank and doyen of Europe's central bankers, contemplated both the apotheosis of his institution and its prospective extinction. With German economic and monetary union, the Bundesbank has attained new power; but with European economic and monetary union, it would disappear. In neither case can Mr Pöhl turn back the political tides. His duty is, instead, to prevent Germany and the European Community from drowning in them.

On GEMU, Mr Pöhl is convinced that the risk of an inflationary monetary overhang has been minimised. His main concern now is the prospective increase in public sector borrowing, to 3½ per cent of gross national product, which "can only be justified temporarily and in the light of the exceptional circumstances in which it will arise."

The concern about the fiscal proclivities of governments is a link between attitudes to GEMU and to EMU. Thus, Mr Pöhl's insistence on the need for "rules of budgetary discipline" may yet halt the EMU tide. If so, he is unlikely to be heart-broken. The German people may not, he evidently suspects, be heart-broken either. Under EMU the Central Council of the Bundesbank would lose the right to formulate monetary policy, "a consequence which may not have become quite clear to every advocate of a European System of Central Banks in the Federal Republic."

Empowering the ESCB

Mr Pöhl is determined to make this point as clear to his fellow citizens as his conditions for EMU itself should, by now, be to the governments of the 12. Apart from rules on fiscal policy, the ESCB must be "empowered to pursue price stability as its primary objective." For this purpose, the prospective European central bank would need to be independent from Community and government interference and be responsible for all aspects of monetary policy.

For Mr Pöhl the need for operational autonomy will be greater in the EC than in the Federal Republic, partly because the rest of the EC lacks German historical experience. Moreover, "if there is agreement that inflation is democracy's enemy number one," he notes, "success in ensuring price stability should be taken as adequate testimony to the central bank's accountability."

Political control

Unhappily, this constitutional doctrine is unfamiliar in Westminster. Yet the combination of operational autonomy with the clear goal of price stability is not an escape from political accountability, but its guarantee. What the British call political accountability is a euphemism for political control. But such political control over monetary policy is both a relatively recent and disastrous development in British history.

The comments on the British proposals for a "hard ECU", will also not have endeared Mr Pöhl to the UK Government. He regards these as following, at best, the ideas underlying the concept of a second "institutional phase" of the European Monetary System, something now left far behind in the EC's history. More fundamental, however, is a philosophical objection. What is needed, he insists, is closer co-operation among central banks,. not greater competition among the currencies they issue.

The next step then is progressive monetary convergence, leading ultimately to fixed exchange rates and a single currency. But "it will be some time yet before we come to that point." The "hard ECU" can, in Mr Pöhl's view, neither obviate the path of convergence nor accelerate the journey along it. He is probably right and, whether right or not, his opposition will be sufficient to kill the scheme.

Mr Pöhl is correct on both the ultimate destination and the path. If EMU is to endure, the rest of the EC must not only reach German standards but accept their embodiment within EC monetary arrangements. Mr Pöhl does not just say, like Saint Augustine, that he wants EMU, but not yet. He says, as well, that EMU is for all those resolved to join him in monetary chastity.

A new era for the NHS

THE SIZE of the Thatcher Government's Parliamentary majority made enactment of the National Health Service and Community Care Bill a formality last week. But Mr Kenneth Clarke, the UK Health Secretary, is aware that many of the proposed measures are not yet widely supported. He is distributing a glossy booklet explaining the reforms to every household. Government has rarely taken such trouble to justify legislation approved by a resounding majority of elected representatives.

The need for such an elaborate marketing drive may appear surprising. The Government is not proposing to break up or privatise the NHS: health care will remain free at the point of delivery and mainly financed from taxation. The big change is an attempt to improve efficiency (and quality) by separating the purchase of health care from its provision, functions which used to be the dual responsibility of district health authorities (DHAs). From next April, ministers plan gradually to shift responsibility for the provision of care to an array of competing providers in the public and private sectors. DHAs will concentrate on the purchase of care for local populations, a role they will share with the larger family doctor practices which will be expected to manage their own cash budgets for routine hospital services.

There are many risks associated with these policies. Cash budgets for general practitioners could undermine traditional patient-doctor relationships by forcing family physicians to balance financial and medical considerations more explicitly than hitherto. Rationing of care – long necessary in hospitals – could become a fact of life in the primary care sector.

Public service ethos

The strategy of spinning off NHS hospitals as self-governing trusts could also misfire. Self-government will give hospitals and staff a strong incentive to focus on profitable forms of medicine. Some may be tempted to restrict the range of services they provide with detrimental consequences for local communities. In general, the emphasis on competition will lessen the scope for cooperation between different parts of the NHS, which could cause a fragmentation of services. More subtly, it may erode a public service ethos which led NHS doctors and nurses to place far less stress on material rewards than many of their counterparts abroad. This could prove expensive in the long run.

'Democratic deficit'

Finally, the remodelling of district and regional health authorities along corporate lines raises the spectre of a "democratic deficit". Districts are supposed to assess the health needs of local populations and establish policy priorities. But not all needs can be met. With the removal of local political representation, district managers will be mini-dictators, answerable only to higher tiers of NHS management. Why should they determine local health priorities?

These and other objections do not mean that health care reform is a mistake. The NHS is a lumbering producer-dominated bureaucracy which could benefit from a dose of supply-side competition. The Government's reforms – particularly the attempt to separate the purchase from the provision of care – thus deserve support. If all concerned adopt a positive, pragmatic stance, the benefits should considerably outweigh the costs. The medical profession, in particular, should recognise that reform of some description is overdue; loss of autonomy as providers of care may be painful but it was inevitable given wider changes in society since 1948.

Looking forward, it seems likely that this year's legislation will mark only the first stage in a much longer sequence of reform. The party which wins the next election will almost certainly have to examine new ways of financing the NHS. The problem is whether taxation can provide a sufficiently buoyant and flexible form of finance for such an important commodity as health care. A growing middle class used to exercising personal control over important consumption decisions may favour experimentation with the kinds of social insurance popular on the Continent.

Charles Leadbeater on problems facing GEC and Siemens after their controversial joint acquisition of Plessey

A marriage of convenience

"GEC and Siemens propose to create a major new European partnership. The acquistion of Plessey ... will be the springboard for further substantial expansion together." *The General Electric Company and Siemens offer document for Plessey. November 16 1988.*

The rhetoric flowed thick and fast from GEC and Siemens during their £2bn bid for Plessey. In their final offer document published in December 1988, Lord Weinstock, GEC's managing director, and Dr Karlheinz Kaske, Siemens' president and chief executive, said they were dedicated to developing common European systems, pooling research and development and collaborating to make production more efficient.

GEC's annual results this afternoon will shed light on the financial costs and benefits of the acquisition, the product of a four year campaign by GEC. But they will be less help in unravelling what has gone on behind closed doors since the two companies took control of Plessey last September. For according to some of those involved, in the process of carving up Plessey the two allies have been carving up one another.

The victors have not merely failed to fulfil their vision of a grand European partnership, they have grown more estranged. The lighting partnership, GEC-Osram, which was meant to be a model of how the alliance would develop, has broken up, with Osram, the Siemens subsidiary, taking control. More to the point, they set out aiming to run jointly nine of Plessey's businesses; in reality, they will be jointly involved in only one: GPT, the telecommunications company. They are currently negotiating the sale or division of the remaining Plessey businesses they run jointly in South Africa and Australia. Roke *Manor*, the Plessey military communications research centre, will pass from joint control to Siemens if the Ministry of Defence approves.

This is more, it seems, than a case of two erstwhile partners growing apart. The managing director of one of GEC's companies, who has had to deal with both partners, puts it in these terms: "The GEC-Siemens relationship has been a disaster. It is a very embittered relationship and there is something seriously wrong. The divorce was already under way when they bought Plessey."

The joint bid for Plessey was one of the most controversial and closely scrutinised industrial takeovers of the decade. It is a central component in GEC's strategy to forge protective joint-ventures around its defence electronics interests. The success or failure of the Siemens alliance will be a guide to prospects for the joint venture strategy as a whole.

The victors have not merely failed to fulfil their vision of a grand European partnership, they have grown more estranged

How is it that two of Europe's largest companies can launch a bid on the basis of an alliance and then all but dissolve it in less than a year?

Almost to a man former Plessey executives believe GEC and Siemens carried off an big con trick on regulators at the Monopolies and Mergers Comission and the European Commission, and that the two companies never intended to fulfil the strategic vision they presented while pursuing the bid. As a Plessey defence document put it in January 1989: "All the rhetoric regarding Europe fails to disguise the substance of the bid: an old fashioned carve up of a competitor."

The accusations are strenuously denied by those involved. A senior GEC adviser says: "At the beginning relations between Lord Weinstock and Mr Kaske were very good, they are two old hands. There was nothing cynical about it."

The problem stems to some extent from the changes the bid went through after it was launched. The GEC-Siemens joint approach began to unravel when the regulators insisted the bid was revised. Separately, a plan for the two companies jointly to run Plessey's businesses in the US apparently fell foul of the Defense Department. As GEC took complete control of these operations, the two companies were forced to readjust other parts of the package.

But this is at best only a partial explanation. Without any further prompting from the regulators, Siemens revised its approach again after the bid succeeded. A Siemens executive explains: "As it was a hostile bid we could not really examine what we had acquired until afterwards."

To complicate matters, by the time the two companies came to consider what to do with Plessey they were both deeply distracted by other commitments. At the turn of the year GEC acquired the radar business of its ailing competitor Ferranti International. Siemens has taken on the task of turning around Nixdorf, the West German computer maker, and this year it has had 30 joint ventures under negotiation in East Germany.

This combination of pressures would have taken its toll on the closest of relationships. But the complicated negotiations over the division of Plessey threw into sharp relief the allies' different but rigid cultures. Siemens is a relatively centralised company, often criticised for being over bureaucratic, with a reputation for investing in long term research and sticking with loss making businesses such as semiconductors.

If Siemens is an engineer's company, GEC is a finance man's company. It has a lean corporate centre, which exerts tight control over a fairly loose association of companies through strict financial disciplines. It tends to ditch businesses which consistently fail to meet financial targets. Research and development, rather than being centrally directed, is led by demands from the constituent businesses.

It would be wrong to think the partners are not on speaking terms. Senior managers meet in London or Munich once every three or four weeks.

However, even from the companies' own statements it is clear the relationship has reached its limits. GEC's line is that the relationship has not collapsed, but – in the words of a spokesman – it has "run its course" having achieved GEC's goal of acquiring Plessey.

As a Siemens executive out it: "To say it is tense is going too far. But it is not an easy relationship."

In response to suggestions that the alliance is foundering, GEC points out that one very significant area of collaboration has survived – GPT, the company formed by the 1988 merger of GEC and Plessey's telecommunications interests.

The company, owned 60-40 by GEC and Siemens respectively has annual sales of more than £1bn. Siemens' 40 per cent share accounted for most of the £1.2bn it contributed to the bid. Much smaller partnerships have been called strategic alliances. Will GPT provide a sustainable core for the relationship or will the two companies eventually go their separate ways?

Although GEC has the majority stake and management control, GPT management is developing a closer relationship with Siemens.
A senior Siemens executive, Mr Herbert Asmussen, became managing director of marketing and technical cooperation at GPT in January. The two companies are exploring the potential for joint purchasing, the spread of best manufacturing practices, and the possibility of pooling marketing expertise and comparing the productivity of their plants.

The test of where the relationship is heading will come soon. In January Siemens and GPT began a complex negotiation over the possible merger of their public network activities in the US, a venture which could set the framework for the rest of the product development programme.

Some of GPT's most significant customers say the company seems to be in a muddle, created by tensions between its parents. Mr Richard Reynolds, GPT's managing director, in contrast, says there are no tensions beyond healthy hard bargaining between business partners.

Whatever the truth of the matter, the growing strength of GPT's relationship with Siemens raises serious questions about the future of GEC's involvement. The official line is that a merger between GPT and Siemens is not on the agenda. A Siemens executive says: "We want to take it steadily, to become more acquainted with GPT."

But many in the telecommunications industry believe that in the long run Siemens will displace GEC by integrating much more closely with GPT.

Given their contrasting cultures, the two companies face a broader challenge in determining how to develop Plessey's businesses. The litmus test of GEC's approach will be its treatment of PSL, Plessey semiconductors, which in the 1980s grew into one of the most profitable semiconductor businesses in Europe, making specially designed chips for computer disc drives, satellite television receivers and high definition television.

GEC has a chequered history of involvement with semiconductors. It is a cyclical business, which consumes vast investment for uncertain rewards, not at all the financially predictable sort of activity GEC likes.

Significantly, the management team responsible for PSL's success, led by Mr Doug Donne, has stayed on since the takeover. As yet its day to day activities have not changed much beyond having to fill in a different financial report each month. Lord Weinstock has told PSL managers he will support them if they deliver reasonable financial returns.

However, the test of GEC's commitment will be money. To stay at the leading edge of the business, PSL needs to spend about 15 per cent of its £120m annual sales on research and development. Investment in manufacturing takes more than £10m a year. In the next couple of years it will want to expand its modern manufacturing plant at Plymouth, which will cost more than £40m.

Given the cyclicality of the semiconductor market it seems unlikely that Plessey semiconductors will each year deliver a return on assets employed which matches GEC's expectations. If Lord Weinstock finds the financial prospects too unpromising, he could well be tempted to sell it – a move that would cause outrage in the UK electronics industry establishment.

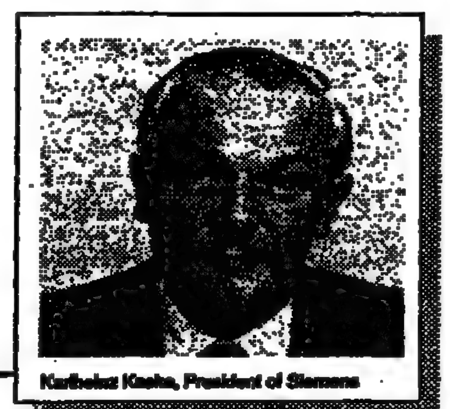
Plessey was much more like Siemens than GEC. Its management strategy was driven by the allure of integrating technology, in radar and sonar, military communications and telecommunications. Its corporate headquarters, which shut last week, played a role in strategic planning and setting research priorities.

For Plessey stalwarts any division of the company would be regarded as barbarism, sapping the dynamism the management was trying to generate by integrating technology. While Plessey was planning to integrate radar and underwater sonar, GEC and Siemens have separated them.

It is too early to say whether the bid will have been good or bad for UK electronics in the long run. The main test will be what happens to research and development in the UK and whether the new owners use Plessey's technological strengths to develop new products and new businesses more effectively than the previous, much criticised management.

By dividing the company so neatly, GEC and Siemens have set up as clear a test as could be imagined of whether British financial discipline or West German engineering will be better at developing Plessey's assets for the long term. As things stand most former Plessey managers working for either GEC or Siemens believe the West Germans will come out ahead.

Lord Weinstock, Managing Director of GEC



Karlheinz Kaske, President of Siemens

GEC-owned

In the UK:
Plessey Aerospace*
Plessey Avionics
Plessey Crypto
Plessey Materials*
Plessey Naval Systems
Plessey Semiconductors*
Plessey Research Caswell*

In the US
Plessey Aero Precision Corporation*
Plessey Dynamics Corporation*
Plessey Electronic Systems Corporation* (including ES Marine Systems)
Sippican Inc
Plessey Materials Inc*

* were to have been partially or jointly owned by Siemens

Siemens-owned

Siemens Plessey Radar
Siemens Plessey Defence Systems
Siemens Plessey Controls

Jointly owned

GPT, formerly jointly owned by GEC & Plessey, is owned as to 60% by GEC & 40% by Siemens

Jointly owned by GEC & Siemens, but are to be split up or sold:

Plessey Australia
Plessey South Africa, Zimbabwe & Malawi
Plessey Research Roke Manor
Plessey's share in Plessey Telenet

Plessey interests to be sold:

Birkby Plastics
Hoskyns Group PLC
Plessey Spa of Italy

OBSERVER

Royal blow to polo

■ The Prince of Wales may have broken more than his right arm playing polo at Cirencester last week. He could also have fractured lucrative sponsorship deals that are essential to the sport.

Cartier, which funds the Cartier International, the Ascot of polo, on July 29, says that it might have to rethink its involvement for next year if the Prince is unable – or unwilling – to climb back onto his polo saddle. "It is essential for us to have a royal involvement," said a Cartier spokesman. "We need that as part of our magical mix."

Prince Charles – who often brings Princess Diana and their children to matches – is a star pull for corporate sponsors such as Jaguar, National Car Parks, Body Shop, and Dunhill – which says it will carry on despite the Prince's mishap – to name but a few. He plays in 12 charity matches a year, each of which raises around £50,000 – a figure impossible to achieve without his participation.

Polo is one of the most expensive sports – a player can spend up to £20,000 in a season – and it needs its sponsors, who will spend over £250,000 a season on a team, on top of entertainment bills. Kerry Packer, the Australian media magnate, is now trying to sweep the board of European polo. Recently he bought 150 ponies at a cost of £20,000 each and laid out three grounds in the UK.

Prince Charles is certainly out for the rest of the season and questions are being raised about the wisdom of him carrying on: the accident could have been worse.

French fine

■ On the day that freedom of capital movements entered into effect in the European Community, the magistrates of Dunkirk have neatly punctured the euphoria over a frontier-free Europe. They sentenced Michael Falshaw, a 42-year-old Briton, to a month in prison for failing to declare £49,664 when he entered France; they also confiscated the money.

France abolished most of its exchange controls on January 1 this year, six months before the EC deadline, but travellers are still obliged to tell the customs officer if they have over FFr50,000 in their wallets.

Irish energy

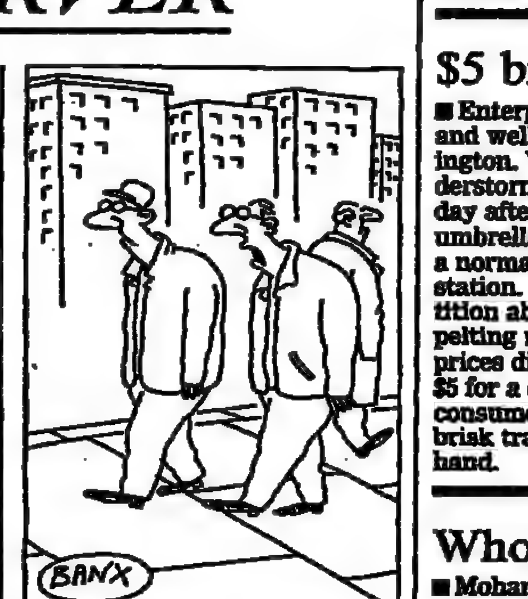
■ Ireland's ever artful smugglers were at it again over the weekend. At 8 pm on Saturday almost the entire nation, including the Irish customs, settled down to watch Italy play Ireland in the World Cup. It was a good moment for the tankers carrying thousands of gallons of petrol and diesel to begin to roll from Northern Ireland across to the Republic.

Fuel prices in Northern Ireland are up to a pound a gallon cheaper than in the Republic. At one border crossing, 12 tankers were reported to have crossed in a half hour period.

Irish customs admit that their border patrol units were relaxed somewhat during the big match, but deny that the border was left completely open.

Pöhl and Plumb

■ No-one can accuse Karl Otto Pöhl, the President of the Bundesbank, of pulling his punches. If what he calls a European Central Bank System (ECBS) comes about, he told the (largely British) Institute for Economic Affairs yesterday, "national central banks will have to give up their right to formulate national monetary policies".



"Another day, another D-mark."

Moreover, the idea of national central banks implementing an ECBS monetary policy "with a large degree of freedom in accordance with the special circumstances of their national economies and the needs of their financial markets" is, in his view, unacceptable.

Not least: "I believe that the future ECBS should also be responsible for the management of the foreign currency reserves and for intervention in exchange markets." Hardly the sort of fudge that members of the British Conservative Party, hoping to avoid a split in their ranks over Europe, want to hear.

Meanwhile, the Germans have awarded nice Henry Plumb the Knight Commander's Cross (Badge and Star) of the Order of Merit of the Federal Republic. The now Lord Plumb is probably still best remembered in Britain for his time at the National Farmers Union. He went away to the European Parliament, became its President, and is a fervent advocate of increasing its powers. The Germans obviously appreciate that.

$5 brollies

■ Enterprise culture is alive and well and living in Washington. When a sudden thunderstorm hit the city on Sunday afternoon, not one but two umbrella sellers appeared at a normally quiet underground station. Their vigorous competition above the thunder and pelting rain ensured that prices did not shoot up above $5 for a collapsible umbrella: consumer satisfaction and a brisk trade going hand in hand.

Who's Who now

■ Mohamed Fayed has made it to the International Who's Who (1990-91), but lists no recreations and gives his address simply as Harrods Ltd. Martin Sorell, the advertiser, makes it too, and lists family, skiing and cricket. He is joined by fellow advertisers the Saatchi brothers, Charles and Maurice, who curiously enough were not listed when their fame and fortunes were rather higher than they are today.

On the political side there are three new Presidents appearing for the first time: Violeta Barrios de Chamorro of Nicaragua, Guillermo Endara of Panama and Vytautas Landsbergis, President of the Supreme Council of Lithuania. Not that they give much away, except that Landsbergis is a teacher of musicology.

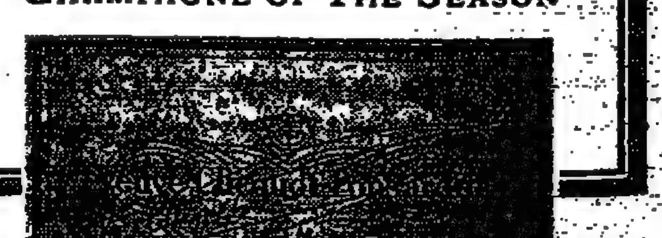
The best Presidential entry in terms of leisure interests remains François Mitterrand of France, who lists simply table tennis.

False cheer

■ One of the biggest cheers of the night when the defeated Irish football team returned to Dublin on Sunday was for the announcement that England had lost to Cameroon. It turned out be wrong.

❛ I suppose the usual rules apply at Henley – my hemline down to the knee, and your Clicquot up to the brim? ❜

CHAMPAGNE OF THE SEASON



VEUVE CLICQUOT
LA GRANDE DAME DE LA CHAMPAGNE

LETTERS

Canada: entering a new phase after Meech Lake

From Mr Nicholas Hopkinson.

Sir, Your editorial comment ("Beyond Meech Lake," June 12) rightly states that regional economic integration is reducing the importance of national boundaries.

However, Canada was made a viable economic unit by erecting high tariff barriers which facilitated industrialisation and east-west economic transactions. While making sound economic sense and exhibiting the new confidence of Canadian business to compete internationally, Canada's free trade agreement (FTA) with the US in the current uncertain political climate will further undermine unity.

The FTA will complete the virtual realignment of Canada's economic links along a north-south axis and remove the economic foundations from underneath the Canadian confederation. Notably the pro-independence Parti Quebecois is only too happy that the FTA has secured Quebec's access to its overwhelmingly major export market.

With the failure of all provinces to agree the Meech Lake Accord, Canada enters a new phase which will broaden the crisis away from constitutional niceties to deeper arguments over outright independence and economic viability. Quebec has been accommodated at almost any price to keep it within confederation, but by no means has it been the only province that has pushed for more decentralisation. Certainly many in Canada are beginning to feel the price of unity is no longer worth the constant constitutional bickering and continued uncertainty.

There is no doubt that most Canadians and their politicians sincerely want national unity. But if the cost is the subordination of individual and minority rights guaranteed by the federal charter to provincial governments, then the dissenting minority of politicians in Manitoba and Newfoundland are right to voice their concern that Quebec's recognition as a distinct society will unacceptably enhance provincial power. Whether or not all provinces agreed to Meech Lake, Canadian unity is dissipating.

As a fifth of all francophones live outside Quebec, the Quebec government cannot claim to represent all francophones let alone the 1m non-francophone minority within Quebec. Yet the example of the assimilated francophones that emigrated to the US is sufficient to indicate that francophones do have a legitimate need to preserve their language and culture. The late Parti Quebecois Premier's aim to make Quebec as French as Ontario is English has been achieved.

Unfortunately, this has been at the expense of the minorities in both these central provinces whose use of their language in the workplace and receipt of provincial social services in their language have been limited. The federal government has seriously attempted to honour the rights of the two main linguistic groups. However, attempts to redress the under-representation of francophones has turned into an under-representation of anglophones in a number of federal government departments.

If there is a distinct society in Canada, it is the indigenous Indians rather than francophones and anglophones who share a common, albeit distant, European heritage. Indeed, Mr E. Harper, the Indian member of the Manitoba legislature, successfully argued that if one group in the Canadian mosaic wants to start calling itself distinct, others should be allowed to do the same.

Without a constitutional settlement, it is feared that Quebec independence becomes likely. If Monaco can flourish economically, then so can an independent Quebec. One recent consultant's study even indicated that Quebec would be better off as an independent state. Divorce culminates in an argument over who gets what. Reminiscent of the 1970s argument over who owns North Sea oil, lawyers can have another constitutional bonanza over who owns the hydro-electric and resource-rich part of northern Quebec which once belonged to the Hudson's Bay Company.

Canada has survived several national crises. In the past, some charismatic politician has emerged with a last-minute compromise to keep the vast and diverse nation together. This time Canada's politicians and population appear exhausted and "Meechless."

Nicholas Hopkinson,
Associate Director,
Wilton Park,
Wiston House Conference Centre,
Steyning, Sussex

From Mr John G. Lover.

Sir, Your editorial comment gives the impression that three of the largest Canadian provinces, including Ontario and Quebec, have agreed to transfer 10 of their Senate seats to other provinces if no agreement on reform is reached by mid-1995.

In fact, sacrificing of Senate seats was a crucial concession made by Ontario's Premier, David Peterson, at the recent Ottawa conference. Under this fall-back plan his province would lose six seats of its 24. New Brunswick and Nova Scotia would also be net losers. These would be the three provinces making the sacrifice, not Quebec, which would keep all its 24 senators in the interests of preserving strong French representation in the Senate.

The point is that, rightly or wrongly, Quebec conceded virtually nothing during this "seven-day war" over the Meech Lake Accord, and certainly nothing in terms of Senate seats.

John G. Lover,
4505 Tanglewood Crescent,
Victoria, British Columbia

Adjusting to the imperatives of the long term

From Ms M. Mowlam MP.

Sir, It would be a pity if your readers interpreted proceedings at the Department of Trade and Industry's conference "Innovation and Short-termism" as an industrial exercise in City "shin-kicking" as suggested in your headline ("Industry kicks City shins over short-term views," June 26). Complacent views were not much in evidence, and there were plenty of leading City and industrial figures around prepared to both listen and to put forward ways in which we as a nation might adjust to the imperatives of the long term.

As the Innovation Advisory Board stated, if externally managed pension funds could be pivoted away from certain current practices, "City/industry short-termism would run short of fuel". That must be the objective of action now, along with awareness-raising features, such as the publication of a research and development (R&D) company scoreboard. Lord Alexander noted that mere dialogue was not enough.

A new government policy, based on a fuller understanding of how our current system seems to encourage short-termism and the "dealer culture", is required. Given the speed with which our international competitors seem to be overtaking us in the field of high technology-based growth, we do not have much time.

I hope the Secretary of State was not just pleased with his conference, but will surprise us all and implement policies oriented to the future of British industry.

Marjorie Mowlam,
House of Commons,
Westminster, SW1

From Dr J.P. Griffin.

Sir, While the debate over short-termism continues, I am pleased to note your editorial comment that Whitehall has also woken up to the subject ("Short-termism of managers," June 25).

You quite rightly describe heavy spending on R&D by British pharmaceutical companies as "vital to their international competitiveness".

This year the UK pharmaceutical industry is investing £900m in research to maintain its high level of success. Three of the top five best-selling medicines in the world (and seven of the top 20) are British. The top 50 products worldwide represent just under half of the total prescription medicines market. Of these, 27.6 per cent originated in the UK. No other country in the world is so economically dependent as the UK on the health of its pharmaceutical industry (including an industry trade surplus of nearly £1bn last year).

A big factor in future research will be proposals just announced by the European Commission to restore the effective patent life of medicinal products, which has been eroded from a nominal 20 years to an actual 8.4 years in the European Community. This erosion of patent protection has occurred as a result of the greater technical complexity of the research needed to develop new medicines and the more stringent safety and efficacy evaluation now conducted.

Both the US and Japan have already accepted the need to improve patent protection for their pharmaceutical manufacturers. The French have adopted national legislation in line with the EC proposals.

The European Commission is to be commended for identifying the threat to future research caused by the lack of a fair reward. It is to be hoped that the British and other EC national governments will give their support to this far-sighted proposal and not succumb to the disease of "short-termism."

J.P. Griffin,
Association of the British Pharmaceutical Industry,
12 Whitehall, SW1

From Mr A.J. Lucking.

Sir, Your editorial comment casts doubt on the Innovation Advisory Board's diagnosis ("Short-termism of managers," June 25).

Perhaps a less contentious demonstration of this problem is the age of our manufacturing plant, compared to that of our competitors. Japanese visitors have been known to laugh openly when visiting Britain's "museums of industrial archaeology." In the "profit first" countries, Australia, Britain, and the US, companies are not replacing equipment, because the calculated payback is too long, whereas in the winning countries, Japan, Germany and France, machinery is retired on the same basis that we use for company cars – it is three or four years old, so it is out of date, and must go.

Much more generous tax allowances abroad are a factor, and I wonder if Mr Nigel Lawson's draconian reductions may yet prove to have been a mistake in the case of manufacturing companies. The 100 per cent initial allowance was some compensation for the huge increase in prices due to government failure to control inflation.

Shareholders need to know the age of the plant that their managers have contrived, so that they can judge the future competitiveness of their company. British Airways shows the age of each aircraft fleet in its report. Each company should publish a year-by-year table, showing the number of machines purchased during that year, and starting with those over 15 years old.

A.J. Lucking,
20/17 Broad Court, WC2

From Mr Leo Herzel.

Sir, Your editorial comment on managers' short-termism is probably right in arguing that more spending on R&D does not necessarily lead to more rapid growth of individual businesses and that, therefore, it would be rational for many businesses to cut rather than increase R&D expenditures.

On the other hand, the preliminary report by a panel of the Innovation Advisory Board (described in the editorial) may also be right in urging the benefits of more R&D expenditures. Larger expenditures on R&D may have highly beneficial effects on national and international productivity.

The reason for this apparent contradiction is that in free markets it is very difficult for individual companies and countries to capture most of the benefits of their own R&D expenditures. The more abstract the research, the harder the problem is.

In free market economies, one would expect separate research businesses to step in to solve this problem for individual businesses. In the US, universities are, to some extent, doing that. But even if separate research organisations were perfect, that could not solve the problem of spillover of benefits from R&D expenditures to other countries.

Leo Herzel
Mayer, Brown & Platt,
190 South La Salle Street
Chicago

TUC ready for more recruiting drives

From Mr John Monks.

Sir, John Gapper's article assessing the recent TUC-led organising campaign in Manchester ("Problems hit union recruitment drive," June 28) paints a far too pessimistic picture.

The facts are that the campaign produced 900 members immediately, with unions still receiving inquiries prompted by the publicity campaign. In addition, unions have established bridgeheads in a number of workplaces and are building up membership there.

On the basis of this, the TUC is planning to repeat the exercise, perhaps six times next year, although no final decisions will be taken until next month when the results of a similar campaign held in May in London Docklands are available.

The campaigns would not, as stated, be organised by TUC regional councils although regional councils would play a crucial part; they would be led by the TUC nationally as were the Manchester and Docklands exercises.

John Monks,
Deputy General Secretary,
Trades Union Congress,
Congress House,
Great Russell Street, WC1

Reasons for defenestration

From Mr James H. Clancy.

Sir, As an American attorney it pains me to note that the legal tip so kindly provided to your readers (Observer, June 20) is, in fact, erroneous.

The Russian is not meant to say: "We make the best vodka in the world and can afford to do this." Rather, he is to say (as he tosses the bottle out the window): "In Russia, vodka is so plentiful that it is virtually without any value."

Thus, a very different joke occurs when the American tosses his lawyer out the window.

I am afraid your source must have been a plant from the American Bar Association.

Litigiously yours,
James H. Clancy,
The Albert Partnership,
British Columbia House,
3 Regent Street, SW1

Strategy for a joint attack on debt and environmental problems

From Mr Karl Ziegler.

Sir, Your editorial comment ("An outbreak of prudence," June 23) sagely puts forward the central dilemma facing leading western central and commercial bankers in seeking to dampen credit without snuffing out economic growth.

As leaders of the foremost industrial nations prepare for next week's Group of Seven summit talks in Houston these largely national discussions will broaden to address their global counterparts. Of particular interest will be their consideration of the timing, size and conditionality aspects of debt relief and general economic assistance to emerging democracies both in eastern Europe and in the South.

The dual problems of unserviceable sovereign debt and environmental degradation should be attacked jointly as they create an immediate opportunity for global co-operation. The idea is not to force unpopular programmes on the debtor countries, but to encourage them to carry out programmes which they should already have formulated and which also benefit the rest of the world.

Debt relief should be made conditional on the contractually binding incorporation in recipient country budgets of social, political, institutional and environmentally sound development programmes.

Such programmes should be formulated and proposed by indebted governments and might include commitments to stabilise deforestation, desertification, urban and industrial pollution, topsoil and fresh water loss and degradation. Institutional commitments to land reform, population planning, limitations on military expenditure and the use of environmentally sound industrial and agricultural policies might be encouraged.

Specific commitments to utilise new substitutes for chlorofluorocarbons might be timely and subject to agreed pricing and patent protection undertakings. Throughout, mechanisms for technology transfer must be encouraged.

Such contractual programmes could justify the increased reallocation of public funds to buy in and to freeze debt principal, for 30 to 40 years, with staggered and agreed reduction of debt principal allowed if strictly monitored continued adherence to these policies is witnessed.

Debt servicing would immediately cease, releasing local resources (supplemented possibly by closely monitored, limited, project finance) to implement many labour-intensive new initiatives, with an emphasis on sustainable new biologically based technologies and processes.

Purchase by sponsors should be negotiated with commercial, bilateral and multilateral (including World Bank) lenders at the maximum equitable discount, to magnify the cost-effectiveness of public funding. This could be negotiated above current secondary market prices, providing strong incentives for full bank co-operation.

Traditional development assistance funding, both bilateral and multilateral (including UN programmes), might well be channelled to assist this effort. Thereby, such funds could reach intended targets with a higher degree of certainty.

Over time, healthier democracies, a lessening of the rich-poor divide and environmentally and economically sounder and more credit-worthy trading partners should result from sustained dedication to this strategy.

In view of the increased rhetoric about "multi-party democratically focused development" in evidence from Africa, Latin America, south-east Asia and eastern Europe, such programmes should help to make governments provide concrete evidence of their full accountability to all their citizens, while joining the North in addressing global problems in partnership.

Karl Ziegler
6 Bradbrook House
Studio Place
Kinnerton Street, SW1

FOREIGN AFFAIRS

Balancing the 'democratic deficit'

Edward Mortimer considers rival proposals to make European institutions more accountable

"If the EC was a state and applied to join the Community, it would be turned down on the grounds that it was not a democracy."

That is how Mr David Martin, the European Parliament's rapporteur on institutional reform, sums up the argument on the Community's "democratic deficit". The essence of the problem is by now well known: whereas at national level law is made by the directly elected representatives of the people, and policy is made by ministers responsible to them, at Community level this is not true. Community law, even though it takes precedence over national law, is made by ministers sitting in council. The lawmakers are thus one remove further away from the people, who did not choose them for that purpose. Moreover, the right to initiate legislation is vested exclusively in the Commission, a body not elected at all but appointed by national governments, and thus at a third remove from the people.

As for policy, it emerges from a constant tug-of-war between different institutions, the influence of each varying with the subject at issue. Overall responsibility is hard to locate, although the really big decisions are usually taken by consensus of the national heads of government, meeting as the European Council. Each of these is responsible to his or her national parliament, but neither they nor the Council of Ministers are collectively accountable to anyone. Only the Commission is notionally accountable to the European Parliament, which has the power to dismiss it, but has never yet done so.

Thus every power that is transferred to the Community by the member states moves further out of reach of the citizen. It is recognised that this situation needs to be remedied, and this is one of the main reasons why it was agreed at last week's Dublin summit that the Community should now embark on the process of transforming itself into a political union: "political" in this context means "under the effective control of elected politicians".

Civil servants will now be hard at work drawing up briefs for the intergovernmental conference to negotiate appropriate treaty amendments, which is to start in December. Several suggestions for democratising the Community are offered in the pamphlets listed below.

The most obvious way is to increase the powers of the European Parliament, thus making the Community more like the democratic nation states of which it is composed.

That is the method proposed by Mr Martin, who wants the parliament to share legislative power on an equal footing with the Council of Ministers. In effect, the Council would become a second chamber of the parliament, on the analogy of the Bundesrat in Germany, composed of ministers from the Land governments. He also argues that the parliament should be able to take the initiative in legislation when the Commission refuses to do so. In addition he would like the parliament to elect the President of the Commission, and to be able (by a two-thirds majority) to dismiss not only the whole Commission but individual Commissioners.

What makes sense is for people to elect representatives to manage their collective affairs at whatever level they have important interests in common

I doubt if that last point would work in practice. A President chosen by parliament and responsible to it would be in effect a federal prime minister heading his own cabinet. Rather than let parliament choose his colleagues for him, he would surely insist on collective cabinet responsibility, putting his own resignation on the line as soon any individual Commissioner was threatened with dismissal.

But Mr Martin's general idea, which is to turn the Community into a larger version of one of its own member states – a federal parliamentary republic – is fairly clear. It is supported, give or take a few details, by Mr Paddy Ashdown, leader of Britain's third party, the Liberal Democrats, who last week told the Royal Institute of International Affairs that he favoured "nothing less than a European government for a European Federal State".

At the opposite pole is Mr William Cash, a loyal Thatcherite member of the Westminster parliament, who seems to think no democracy is real unless it operates on a two-party basis. For him the European Parliament is itself too remote from the people to act as an effective control. His main concern is to stimulate resistance to further federalist encroachments (including EMU), but he does also favour closer scrutiny of EC policy by national parliaments, and less secrecy by national governments about the legislation being prepared. It certainly does seem scandalous that the Council of Ministers in its legislative capacity operates behind closed doors – barely defensible when delicate bargaining was needed in order to reach a consensus, even less so now when many decisions are taken by majority vote.

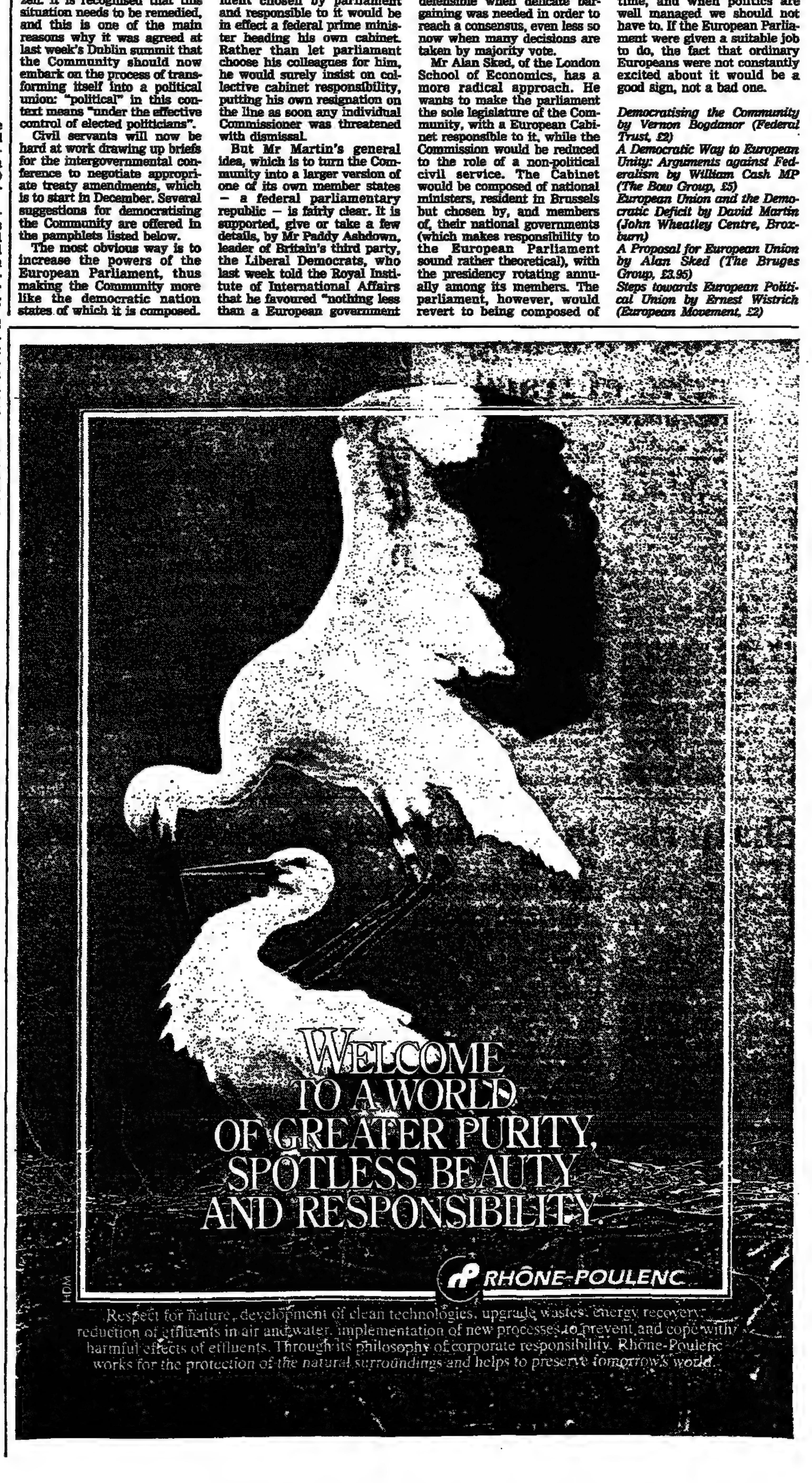
Mr Alan Sked, of the London School of Economics, has a more radical approach. He wants to make the parliament the sole legislature of the Community, with a European Cabinet responsible to it, while the Commission would be reduced to the role of a non-political civil service. The Cabinet would be composed of national ministers, resident in Brussels but chosen by, and members of, their national governments (which makes responsibility to the European Parliament sound rather theoretical), with the presidency rotating annually among its members. The parliament, however, would revert to being composed of delegates from national parliaments rather than directly elected MEPs. It is hard to imagine that being agreed in the present climate.

Mr Vernon Bogdanor, of Brasenose College, Oxford, is radical in the other direction. He shares many of Mr Cash's misgivings about the European parliament, but his solution is to complement it with direct elections for the President of the Commission and also with Europe-wide referenda, to make life more exciting. Parliamentary government, he suggests, is "showing itself highly susceptible to criticism" at the national level "because it seems unable to provide sufficiently for electoral participation and choice". So this is not the time to copy it slavishly at the European level.

I am sure he is right that we do not simply want to reproduce the old-fashioned nation state on a European scale. National sovereignty to me is a myth whatever the size of the unit involved. What makes sense is for people to elect representatives to manage their collective affairs at whatever level they have important interests in common. There is no obvious reason why we should need Mr Jacques Delors to tell us to produce cleaner drinking water, or Mrs Margaret Thatcher to tell us how much we want our local council to spend. Apparently this principle is called "subsidiarity", but I had believed in it for many years without knowing that, like Monsieur Jourdain speaking prose.

Another thing I believe in, however, is representative government, as explained by the late John Vaizey: "It's a marvellous idea: you elect all the bores, and they can go off and bore each other." Direct participation in politics is not how most of us want to spend our time, and when politics are well managed we should not have to. If the European Parliament were given a suitable job to do, the fact that ordinary Europeans were not constantly excited about it would be a good sign, not a bad one.

Democratising the Community by Vernon Bogdanor (Federal Trust, £2)
A Democratic Way to European Unity: Arguments against Federalism by William Cash MP (The Bow Group, £5)
European Union and the Democratic Deficit by David Martin (John Wheatley Centre, Broxburn)
A Proposal for European Union by Alan Sked (The Bruges Group, £3.95)
Steps towards European Political Union by Ernest Wistrich (European Movement, £2)



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EC NOW BEYOND PARALLEL CURRENCY CONCEPT

Pöhl rejects UK plan for 'hard Ecu'

By Peter Norman, Economics Correspondent, in London

MR Karl Otto Pöhl, the president of the West German Bundesbank, yesterday rejected the British Government's plan for a "hard Ecu" and European Monetary Fund as an alternative to the Delors Committee's proposals for economic and monetary union (EMU) in Europe.

In a lecture for delivery to the Institute of Economic Affairs, Mr Pöhl restated his support for a future European Central Bank System (ECBS) and the creation of a "common" European currency to replace national currencies.

He said that the British proposals to develop the Ecu as a parallel currency in the Community partly followed ideas put forward when the European Monetary System was agreed in 1978. But the EC had moved far beyond this concept with the adoption of EMU as an objective and its inclusion in the EC treaty under the Single European Act.

Mr Pöhl's remarks were couched in a conciliatory way. The UK proposals put forward last month by Mr John Major, the Chancellor, "should be welcomed," he said. The UK Treasury said it would study Mr Pöhl remarks with interest and noted that Mr Major would meet him today to explain his proposals. Earlier yesterday, the Bundesbank chief had a private meeting with Mrs Thatcher, the Prime Minister, which British officials said was very friendly.

However, in his speech, Mr Pöhl set out an uncompromising vision of a powerful, independent central bank for Europe based on the Bundesbank's own experience.

He said an EC Council of ministers decision of March this year, which recognised price stability as the prime objective of monetary policy, had created a "major new cross roads" from which to move forward to EMU. It was with this in mind that he was organising greater co-operation among EC central banks.

"If Economic and Monetary Union is to be the goal," he said, "the commitment to price stability is indeed essential and must be vested in a European Central Bank System empowered to pursue it independently of instructions from Community or national authorities."

Mr Pöhl appeared dismissive about the need for a future ECBS to be democratically accountable. On this issue, which has generated much concern in Britain, he said: "If there is agreement that inflation is democracy's enemy number one, success in ensuring price stability should be taken as adequate testimony to the central bank's accountability."

Differences between Mr Pöhl's views and UK policies emerged in other areas. In contrast to the UK, he said responsibility for monetary policy could not be subdivided: "It has to be of one piece." He also said that the European Council had decided in favour of establishing an ECBS – a point Treasury officials disputed.

Although Mr Pöhl said a future ECBS would in all likelihood have a federal structure, the central element would have to be strong enough to assure policy consistency and operational efficiency.

National central bank governors acting in the governing board of an ECBS would be expected to "act without any national mandate," he added.

The Bundesbank president made clear that it would be some time before the EC was ready to move to a single currency. During this period, the EC should seek to ensure that cohesion between national economies and currencies was strengthened.

Commenting on German economic and monetary union, Mr Pöhl said he was sure that price and cost pressures in Germany would remain under control. The initial costs of union would be substantial, he said, "but the benefits to be gained after a difficult, perhaps even turbulent initial phase will be well worth the effort."

Wittenberg sees a brave new world

By David Marsh in Wittenberg

THE STATUE of Martin Luther on the market square in his home town of Wittenberg in East Germany bears these words of warning from the Great Reformer: "If the values are God's, they will endure. If the values are man's, they will go under."

Yesterday, in the midday sunshine, Luther frowned down as the values and the wares of Mammon, brought in by courtesy of the D-Mark, went unashamedly on display.

As companies conducted their first day of business in a free-market economy, workers at two factories staged warning strikes, East Berlin's 66 coal dealers used their trucks to block loading points, while the West German currency was strong on international markets.

On the first shopping day after the D-Mark became legal currency, Wittenbergers queued for a multinational selection of fruit and vegetables and filed in front of shops arrayed with brightly coloured soap powders, toothpaste, toys, whisky and coffee.

The newly opened branch of the Deutsche Bank sits in the corner of the square, a joint venture with East Germany's Kreditbank in a building taken over from the Communist central bank.

Mr Thomas Teuber, a Deutsche Bank manager brought in from the Ruhr, said East Germans had shown strong interest in saving their D-Marks.

Mr Ralf-Rüdiger Hoffmann, a former Staatsbank employee who is one of the joint managers, underlined the mixed emotions – centring on East Germans' worries about job losses as companies confront market realities.

"Satisfaction over the end of the old system was there already," he says. "But as the contours of the new system become more clear, the fears are growing."

Mr Hans-Jochen Welter, owner of a small grocery shop on the outskirts of Potsdam, south-west of Berlin, said that standing among his assortment of new produce yesterday morning had made him feel almost like a stranger. But the new stock – almost entirely from the West, with only staple goods such as sugar and flour from East Germany – was going down well with customers.

Mr Wolfgang Sonntag, sales and export director of a state-owned chemical plant maker at Reinsdorf, a village on the road to Wittenberg, had no time to queue up for D-Marks. He was in Hamburg conferring with his new West German tax adviser on how to convert the company's balance sheet.

Mr Sonntag explained how the company, with a previous turnover of 90m East German Marks which had now shrunk to about DM50m ($29.7m), was preparing to lay off 250 of its 800 employees.

The company has a good stock of orders for 1991 and 1992, and export clients in West Germany, the Soviet Union and in France. But productivity is only two-thirds of western competitors and it has received no real capital for investment for 20 years.

Marcos, Khashoggi acquitted of fraud

By Roderick Oram in New York

MRS IMELDA MARCOS, widow of the former Philippine president, was acquitted yesterday by a New York jury of racketeering and fraud charges concerning purchases of real estate, art and jewellery with some $200m allegedly looted from the Philippines' Treasury.

Her co-defendant, Mr Adnan Khashoggi, the Saudi Arabian arms dealer, was also acquitted on charges he helped Mrs Marcos and her husband conceal their ownership of the property.

Mrs Marcos, who had been reading prayer cards while she waited for the jury to return to the courtroom, broke into sobs as she heard the foreman deliver the verdict. She hugged her cowboy-booted lawyer, Mr Gerry Spence from Jackson Hole, Wyoming, and her supporters cheered loudly.

Despite calling 95 witnesses to the stand, legal experts in New York said the prosecution had failed to provide more than circumstantial evidence that Mrs Marcos was aware how her husband had come by the money they so freely spent.

Mr Spence, whose court room demeanour drew repeated criticism from Judge John Keenan, had explained to the jury how Mr Marcos became so wealthy. He had not, as the Philippines Government alleged, resorted to bribes and other schemes. Rather, he had discovered a gold hoard left in the Philippines by a Japanese general during World War II.

He readily admitted that Mrs Marcos was a "world-class shopper" but, he added, she was also a "world-class decent human being."

Mr Khashoggi, once one of the wealthiest men in the world had been extradited from Switzerland for the trial.

Imelda Marcos celebrates her 61st birthday in New York

Bush plans to make N-weapons last resort for Nato

By Lionel Barber in Washington and Robert Mauthner in London

SUBSTANTIAL changes in the defence policy of the Nato alliance, based on making nuclear arms no more than "weapons of last resort," are to be proposed this week by US President George Bush.

His proposals to modify the doctrine of "flexible response" – the threat of using nuclear weapons to counter a Soviet invasion of western Europe – are the centrepiece of a set of wide-ranging proposals circulated to allies in advance of the Nato summit in London starting on Thursday.

The aim of the measures due to be proposed by the western leaders is to reassure President Mikhail Gorbachev that a refashioned Nato, including a unified Germany within its membership, would not pose a threat to the Soviet Union.

The western leaders are also expected to agree to a Soviet proposal that the Nato and Warsaw Pact countries sign a joint declaration proclaiming their peaceful intentions towards each other. Nato is anxious that the declaration should not be a pact-to-pact document but should be signed individually by the member countries of the two alliances.

Mr Bush will also propose the withdrawal of all US nuclear artillery shells from Europe, a move which Washington's leading allies support. There is less of a consensus on Mr Bush's reported aim to propose a modification of Nato's doctrine of "forward defence."

Mrs Margaret Thatcher, Britain's Prime Minister, said in a speech to Nato foreign ministers last month that the forward basing of nuclear weapons remained an essential element of the alliance's defence strategy. Given the political sensitivity for Germany of this problem, however, Nato leaders are expected to steer clear of too precise a definition of the issue.

Under existing Nato doctrine, which has endured for almost three decades, nuclear weapons could be used in theory in the early days of a conventional attack by the Warsaw Pact if the western allies felt they were being overrun. By declaring that the Nato alliance would only use tactical nuclear weapons as a last resort, Nato would be modifying its flexible response strategy without, however, formally renouncing first use of nuclear weapons.

The US proposals are the result of consultation between the US and the West German Government. A concern in Washington has been to maintain Bonn's support for bringing a united Germany into Nato despite Soviet objections.

The US blueprint also asks alliance leaders to endorse the President's call for negotiations on short-range nuclear weapons and a promise to reopen immediate talks on a second round of conventional arms reductions once agreement is reached in the current Vienna talks.

THE LEX COLUMN

The lamps grow dim in Eindhoven

The long-awaited shake-up at Philips is a curious mixture: more expensive than expected in cash terms, but less radical than hoped for in strategy. The write-offs are not crucial to the balance sheet; at Fl 2.7bn, they are equal to only 16 per cent of shareholders' funds, rather less than Barclays Bank wrote off for bad debts last year. But they are equivalent to nearly three years' profits; and lack of profitability is Philips' central failing. Over the last three years its average return on operating assets – not counting this year's collapse – has been 4.8 per cent. Its own bonds yield 9 per cent in the Dutch market. Borrowing at 9 per cent for a 5 per cent return is clearly a finite process.

Mr Timmer's surgery, meanwhile, looks less fearsome than predicted. Local cynics argue that the promised job cuts of 10,000 will come down to 5,000 after haggling. Philips has been losing that many jobs each year since the mid-1980s. The new emphasis on profit performance in rewarding managers and evaluating research serves only as a reminder of the uncommercial nature of the old Philips culture. At yesterday's Fl 30.70, the shares can no longer be assessed in terms of earnings; even at the operating level, Philips is now only breaking even. The shares would be worth a good deal more, of course, were the company dissolved; but on yesterday's evidence, that kind of radicalism is as remote as ever from the Eindhoven philosophy.

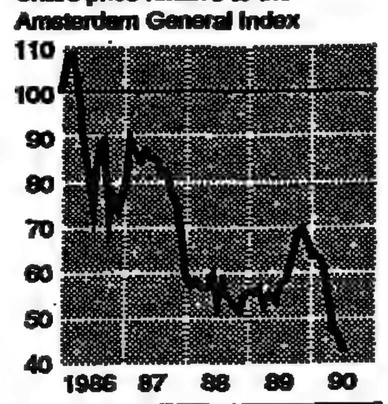
Bundesbank

Mr Pöhl's diplomatically dismissive remarks about Mr Major's hard Ecu were not the only newsworthy item in the Bundesbank president's London speech. Investors should also focus on Mr Pöhl's talk about the need for the two Germanys to keep the lid on public spending. The Bundesbank is speaking about the combined public sector deficit rising from about DM80bn this year to DM100bn in 1991, as the costs of reunification bite. At 3.5 per cent of 1991 GNP, DM100bn would be manageable; but the figure is at the top end of most forecasts.

So it was premature for the bond market to celebrate monetary union yesterday by driving bench-mark yields below 8.7 per cent, and for equities to rise 1.6 per cent. In addition, as witnessed by the 16 per cent surge in orders at Hochtief, the construction company, the

Philips

Share price relative to the Amsterdam General Index



West German economy is working right at its capacity limits. The Bundesbank also needs a lot more evidence about East German spending habits before it can stop thinking about tightening monetary policy.

Consumer credit

Some banks, most notably the TSB, are insisting that the UK is suffering its severest credit squeeze since the early 1970s. But yesterday's upward revision of the May retail sales data and the continued buoyancy of consumer credit continue to tell a different story. After eight months of record real interest rates, the UK consumer refuses to lie down.

Admittedly, yesterday's 17 per cent fall in interim pre-tax profits from First National Finance Corporation, a survivor of the 1970s secondary banking crisis, suggests that borrowers are beginning to feel real pain. Provisions on consumer lending are climbing noticeably, partly resulting from customer arrears and the decline in house values. But earning assets are still 13 per cent higher than a year ago; and the strength of home improvement lending belies some of those tales of woe from the retailers. If the authorities want to retain any credibility they can ill afford an early cut in interest rates.

Berisford

Thursday's figures from Berisford are evidently going to be every bit as gruesome as the market fears. Granted, Tate & Lyle's decision not to bid is coloured by the fact that it would probably not be allowed to anyway. In helping the Monopolies Commission with its enquiries, it has stumbled upon an embarrassing degree of price collusion between British Sugar and its own sugar division. But Tate has had detailed access to Berisford's books in the meantime; and however large Thursday's write-offs, the real worry is that no apparent progress has been made in the time-consuming business of actually selling off the dud operations.

All the while, Berisford's market value falls like a stone. It is fair to assume that if Tate cannot justify the risk of a bid, no one can. The real question will soon be the other way round: not whether Berisford can contrive to sell its disastrous odds and ends, but whether it can afford not to sell British Sugar. In the hands of the right buyer – Associated British Foods, for instance – that could fetch close to £1bn. From that must be deducted Berisford's debt mountain and the negative net worth of some of its other businesses. The market presently values all that at £480m; but the margin of error, as Tate has evidently concluded, is frighteningly large.

Ratners

Mr Gerald Ratner's latest foray into the US certainly makes strategic sense but whether it adds up financially is a more difficult judgment. To pay over $400m (including assumed debt) for a loss-making company with shareholders' funds of only $50m shows a high degree of confidence in the potential merger benefits. Ratners' hopes of avoiding earnings dilution are partly a question of timing. This year, profits will receive the full benefit of the Kay's Christmas season without incurring the full burden of the extra shares in issue. By the time those shares do count, the hope is that the $20m of cost savings and the extra efficiencies provided by Sterling's systems will have boosted Kay's profits substantially.

But there are real risks that Kay may prove too big and difficult an acquisition to swallow. Any company whose junk bonds are trading at less than 60 cents on the dollar has hardly captured the confidence of investors and the existence of a shareholders' lawsuit alleging misstatements by the management adds to the air of crisis. Many of the 1980s stock market stars fell through making one acquisition too many; the fear must be that, in chasing the Holy Grail of American market dominance, Ratners has fallen into the same trap.

All of these Shares having been sold, this announcement appears as a matter of record only.

April 1990

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Sharp rise in US net debt fuels Congressional fears

By Peter Riddell, US Editor, in Washington

THE POSITION of the US as the world's largest net debtor worsened markedly last year as its net debt grew by 25 per cent to nearly $664bn.

Only seven years ago the US was the world's largest net creditor, but in 1985 it became a debtor for the first time since 1914.

The sharp turnaround in the US's net external position, a reflection of its large budget and trade deficits, has fuelled concern about growing US dependence on foreign capital, mainly from Japan and Europe. Yesterday's figures will add to growing debate in Congress over the growing trend.

Annual figures prepared by the US Commerce Department show that US holdings of overseas assets rose by 11.6 per cent last year to $1,410bn. However, foreign holdings in the US rose by 15.6 per cent to $2,070bn. Consequently, the net debtor position of the US grew last year to $663.7bn, from $531.0bn in 1988.

Unlike previous years, the Commerce Department did not provide an estimate of the net debtor position as such, although this can be calculated from the data.

The department argued that estimates of the net international investment position were not useful measures as they consisted of components based on a mix of valuations, some current prices and others, book or historic.

It said research suggested that if all components were valued in current prices the level of the net international investment position would be less negative than that computed by the Bureau of Economic Analysis for recent years.

"Much of the mis-statement is due to the direct investment positions, because they are stated in book values, which reflect prices at the time transactions occurred. Since US direct investment abroad is older on average than foreign direct investment in the US, it is subject to larger understatement," the department added.

The published book value figures show that US direct investment abroad rose by $39.9bn last year to $373.4bn, while foreign direct investment in the US increased by $72bn to $400.8bn, including several large acquisitions of US companies.

Those criticising the scale of foreign takeovers of US companies have focused on the contrast between the two trends.

While there is no dispute that overseas groups' investments in the US are growing more quickly than US companies' holdings overseas, there is probably less of a difference in the total level of investments.

Indeed, it is possible that, contrary to published figures based on book values, the current worth of US direct investment overseas, many acquired some years ago, is still higher than overseas holdings within the US.

WORLDWIDE WEATHER

	Y'day		Y'day		Y'day		Y'day

UK exchanges agree to merge

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FINANCIAL TIMES
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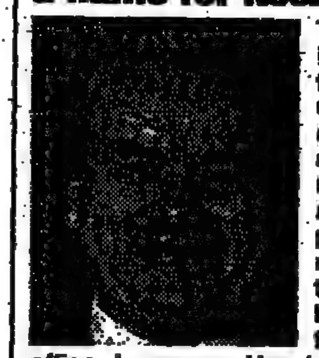
INSIDE

Profit warnings: reading the trend

They thrive in the Stock Exchange's twilight zone - often coming to life on a Friday after the market has closed but before the company news service shuts down at 6pm. Sometimes the announcement is baldly labelled "profits warning" — more often it is flagged as a "chairman's statement regarding current trading conditions." In the first six months of this year, the Financial Times has reported on 75 such announcements. From a low of four in March, the number of UK companies forecasting downturns grew to 19 in June. Andrew Bolger reports on the trend. Page 26

Burmah Castrol makes a name for itself



Twenty-four years after it bought Castrol from its family founders, Burmah Oil has finally made management changes and adopted a name that reflects the dominant role Castrol has come to play in the group's business. As Burmah Castrol, the group will now be run for the first time from a unified head office. Lawrence Urquhart (above), the group's recently appointed chairman, said the new structure would be easier to understand. Castrol should be "given its place" he said. Page 29

FNFC profits fall 17%

First National Finance Corporation yesterday blamed continuing high interest rates for a 17 per cent drop in its pre-tax profits for the half-year to end-April. The group, which straddles credit and residential property development, made an extra provision of about £10m ($17.4m) against bad and doubtful debts. Chairman Richard Langdon (above) said this showed FNFC was taking a "prudent approach" as a number of its customers came under strain. Page 29

A company of few words

Generali, the Italian insurance group, is a bit of a puzzle to analysts. While other insurers are pushing through ambitious European expansion plans, Generali appears to be resting on its laurels. And the rationale behind its small number of recent expansion attempts has not always been clear. Haig Simonian found the group reserved and enigmatic at its annual meeting. Page 21

Correction: ENTel

ENTel is Argentina's state-run telecommunications network. On this page yesterday the group was incorrectly described as Mexican.

Market Statistics

Companies in this section

Chief price changes yesterday

FRANKFURT (DM)				PARIS (FFr)			
Rises				Rises			
Allianz AG	2848	+	83	Bongrain	3319	+	49
Deutsche Bank	811.5	+	16	Euromarche	4200	+	40
Siemens	768.5	+	20.5	Nav Mixte	1557	+	42
Falls				Falls			
Dragerwerk	336	−	4	CSEE	1329	−	16
Horten	258	−	9.5	Intertechnique	1356	−	44
Rosenthal	357	−	5	Sanofi	955	−	13

NEW YORK ($)				TOKYO (Yen)			
Rises				Rises			
Gen Inst	45⅛	+	9⅛	Ensuiko Sugar	1080	+	100
Kay Jewelers	14⅜	+	3½	Fukuda	1590	+	140
L I Lighting	20	+	¾	Ishikawajima	1760	+	150
Falls				Nippon Lace	1820	+	160
MGM/UA	16⅝	−	⅝	Falls			
NV Philips	16⅞	−	⅜	Hokkaido Gas	1000	−	99
Smith-Corona	5⅝	−	⅞	Mitsumi Elec	1450	−	100

New York prices at 12.30

LONDON (Pence)							
Rises				Berisford Int	100	−	12
Cable & Wireless	552	+	11	Burmah	632	−	6
Cairn Energy	328	+	11	Calor	257	−	7
Glaxo	834	+	16	Hillsdown	282	−	2
Hammerson 'A'	710	+	2	Ladbroke	334	−	5
Logica	189	+	10	P&O Dfd	650	−	8
Lonrho	263	+	5	Ratners	264	−	11
Racal Telecom	366	+	6	Tiphook	535	−	7
Robertson Gp	149	+	5	Trafalgar Hse	304	−	20
Sterling Pub	145	+	4	Whitbread 'A'	446	−	9
Falls							

Ingersoll gives up his US empire

By Raymond Snoddy in London and Alan Friedman in New York

MR RALPH INGERSOLL, the US newspaper publisher, has abandoned his North American ambitions after a "technical default" on some of the $500m of junk bonds arranged for him by Drexel Burnham Lambert, the investment bank now in bankruptcy proceedings.

He announced yesterday that he was giving up his share of his American newspaper companies to his partner, the New York investment firm of E M Warburg, Pincus. In return, he has been given control of newspaper interests in the UK and Ireland that were also until now jointly owned.

The deal came after a six monthly interest payment on junk bonds issued by Community Newspapers was missed.

Community Newspapers, which publishes newspapers in Ohio and Long Island, New York, was jointly owned by Mr Ingersoll and Warburg, Pincus. Another jointly owned company, Ingersoll Newspapers, publishes 53 weekly newspapers and nine dailies across the US, and the New Haven Register.

Mr Ingersoll is giving up his stakes in both these companies to Warburg, Pincus. In return, he takes control of Ingersoll Publications, the jointly-owned company involved in newspaper publication in the UK and Ireland. No cash is changing hands.

In 1987 Mr Ingersoll paid more than £60m for a controlling interest in the Birmingham Post and Mail and Sunday Mercury and the Coventry Evening Telegraph. He later added a 50 per cent stake in the Irish Press group.

Mr Ingersoll conceded that the side of the business he is giving up is larger than the one he is taking over but, he said, "This is really exciting. It's what I wanted to happen." He said that the American papers, although good publications, had more debt that the European interests. Mr Ingersoll said Ingersoll Publications had annual revenues of $178m, cash flow of $40m and bank debt of $109m.

Mr Ingersoll has described his group in the past as being worth more than $1bn net of debt. There have been setbacks since then, including the closure in April of the St Louis Sun, a new paper which lasted only seven months.

Community Newspapers is believed to have made an operating loss of $8m last year, with interest payments of $48m a year. Together, these equal about half estimated annual revenues.

Tate abandons Berisford offer

By Clare Pearson in London

TATE & LYLE, the UK sweeteners group, yesterday unexpectedly announced that it was abandoning its long-mooted scheme to merge with Berisford International. Berisford, which owns British Sugar, has been dogged by troubles with its US property interests.

The "possible detrimental effect of the merger" on the company's cane sugar margin, and the "value and status of certain Berisford non-sugar assets," were both cited by Tate as reasons for abandoning the offer. Tate also surprised the market with an admission that, in the course of investigations in connection with the merger, it had discovered that certain marketing practices of its own UK sugar business may have contravened competition laws.

Tate's withdrawal of its offer, which was never formally launched although under investigation by the Monopolies and Mergers Commission, came just days ahead of Berisford's interim results statement, scheduled for Thursday.

According to weekend press reports, the company is not expected to pay a dividend and is also likely to unveil write-offs of more than £150m ($255m) in respect of the company's New York property interests.

Although the scrapping of the offer for Berisford was welcomed, Tate's reference to competition laws unnerved the stock market.

After an initial mark-up, the shares fell 6p to 299p.

Berisford said it noted the announcement "with considerable surprise." It reiterated a statement made last month that it had been approached by other potential bidders. Its shares closed 12p down at 100p.

Shareholders and analysts had earlier expressed concern about the financial strain on Tate if it bought Berisford. British Sugar has an estimated worth of between £800m and £1.2bn.

Mr Paul Lewis, Tate's finance director, said Berisford's failure so far to announce a sale of its US property business, which it had talked about earlier in the year, had been a big factor in Tate's decision.

Mr Lewis said Tate was also concerned about the threat that European Community aid to its cane-refining business would be removed were it also to own Berisford, Britain's beet refiner.

In addition the company was worried about price undertakings the MMC might demand.

Lex, Page 18

Ratners to pay $412m for Kay

By Maggie Urry in London

RATNERS Group, the UK jewellery retailer, has made an agreed offer for Kay Jewelers, a loss-making US retailer which has 494 stores. The deal values Kay at $412.2m, including debt that Ratners is taking on.

It will be financed through a convertible preference share issue in the US and a rights issue in the UK. Kay shareholders are being offered the preference shares, each worth around $17, on a one-for-one basis. The cash raised in the UK will be used to buy Kay's junk bonds and pay its debts.

The deal will bring the total of Ratners' US stores to 900, taking it nearer to its declared target of 1,500. Ratners plans to sell some of the Kay stores which do not fit its plans, and analysts reckoned this could raise $60m or so to offset against the purchase price.

Ratners' last rights issue, in October 1988, was only taken up by 35 per cent of shareholders and at the time Mr Gerald Ratner, chairman and managing director, promised no further rights issues for the foreseeable future. Yesterday he joked: "Watch my lips. No more rights issues." The rights issue to raise £129.8m is a one-for-four, at 220p, payable in two instalments. If the merger does not go ahead the second instalment will be cancelled and the issue will become a one-for-16 raising £30.7m.

Kay is a heavily-borrowed group with $150m of outstanding junk bonds and the merger is conditional on Ratners buying 50 per cent of these. Kay directors are recommending the offer and Ratners has received irrevocable acceptances from 34.6 per cent of the common stock holders.

Lex, Page 18

An insatiable appetite for deals

Maggie Urry looks at the strategy behind Ratners' latest US purchase

There is no doubting Mr Gerald Ratner's nerve. Since taking over the running of his family company in 1984 there seems never to have been a time when he was not buying another company and – employing his charm and wit – persuading his shareholders to pay for it. There was even the occasion when he launched a rights issue before the previous one had closed in order to make two takeovers at once. In return, he has delivered rapid earnings per share growth and all his deals appear to have worked.

At times, Ratners' shareholders have been far from patient, and after the last rights issue, in October 1988, Mr Ratner had to promise there would be no more for the forseeable future. Ratners' shares have recovered somewhat, easily outperforming the dog-dull stores sector in the last year or so.

Mr Ratner's problem – if it is a problem – is an inability to turn down deals. His greatest regret was being persuaded not to push ahead in 1988 with a takeover of Gordon's, a US jewellery chain, later taken over by Zales, the leading US group.

The explanation behind yesterday's agreed bid for Kay Jewelers may prove to be that Mr Ratner simply could not bear to miss another chance to approach his target of 1,500 shops in the US, and a 10 per cent share of the $21bn US market.

The deal will give Mr Ratner about 900 US shops in total after adding Kay's 426 shops, after planned disposals, to the 473 already built up through the Sterling jewellery business which Ratners acquired in 1987.

Ratners strategy follows that which has been so successfully employed in the UK. There the aim was to reach 1,000 shops, and to win 50 per cent of the £4bn ($6.98bn)jewellery market. Starting from about 130 shops in 1984, Ratners' UK chain has now reached 950 stores, and its market share is 31 per cent.

Ratners

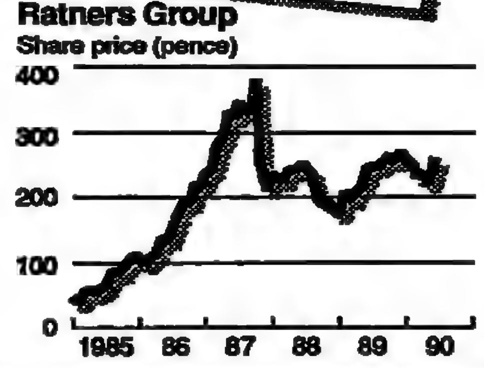
US acquisitions

Stores acquired	Number of stores	Date
Sterling	117	July 1987
The Westhall Company	71	October 1987
Five Stores, Northern Florida	5	March 1988
Osterman Jewelers	56	May 1988
Ringmakers/Allens Jewelers	15	August 1989
Weisfield's	90	December 1989

Comparison between Sterling and Kay
$thousands

	Sterling	Kay Jewelers
Latest fiscal year	3/2/90	31/12/89
Net sales	402,000	427,000
Sales per store	1,122	850
Operating income per store	137	46
Operating margin	15.6%	5.4%
Bad debt write off	2.5%	7.5%
Number of stores at period end	456	494


Gerald Ratner



Mr Ratner reckons the group's profit potential – once he reaches his UK and US targets – is around £600m, which compares with the pre-tax profit £121.5m in the year to February 3. He claims the key to his success in the UK has been buying existing shops, quickly installing the Ratners' formula and squeezing the independents, rather than emulating the rapid expansion of other retailers in the late 1980s which has led to severe overcapacity in the retail industry.

Now Mr Ratner is attempting the same trick in the US. Shareholders will be asking whether taking on a business the same size as the existing US business and which has severe problems – some analysts say it was heading for a Chapter 11 filing – is biting off too much.

However, most analysts have been convinced that Sterling's management is top class. It has already taken over a number of other chains, rapidly moving them on to Sterling's computer systems. Sterling's central computer has the capacity to take on the Kay stores, Mr Ratner says. A provision of $100m is being made against Kay's bad debts and its unsalable stock. Overhead savings will be significant – perhaps $20m a year – and buying terms will be improved further.

The second question is whether Ratners is paying too much this time round. It is paying $852,000 per store, having paid $1.8m per store for Sterling – justified by paying a premium for its management – and an average of $968,000 for the other US acquisitions. On that basis, the deal does not look expensive, so long as the stores are in good shopping malls and the Kay name is as exploitable as Mr Ratner imagines.

But analysts are more doubtful whether the deal can be justified in earnings terms because of the way it is being financed. Kay is loss-making and has shareholder funds of $52.1m. Ratners is having to pay $112.5m for Kay's junk bonds and must take on nearly $85m of debt, on top of paying $215.6m for the equity. Mr Gary O'Brien, Ratners' finance director, argues that the deal will enhance earnings per share after the first year, but that it is more important to preserve the group's reasonably strong balance sheet. That is why convertible preference shares are being offered to the Kay shareholders and Ratners' shareholders are being asked for £129.8m through a rights issue to pay for the debt.

All this paper will increase Ratners' fully-diluted equity capital by more than 38 per cent, but will allow the group to pay cash for further smaller acquisitions.

Mr Ratner needs the support of his shareholders one more time. Judging by the market response yesterday – the shares fell only 11p to 264p – the shareholders are, at least at first glance, ready to go along with Mr Ratner's latest too-good-to-miss deal.

Smith Corona warns of loss in fourth quarter and cuts payment

By Martin Dickson in New York

SMITH CORONA, the US manufacturer of portable typewriters which is 48 per cent owned by Hanson of the UK, yesterday warned that it expected to make a fourth-quarter loss and would be cutting its dividend.

The announcement continues a slide in the company's performance since shortly after Hanson sold off a majority stake to US investors 11 months ago. The US portable typewriter market is suffering from weak US demand and fierce price competition.

Mr Lee Thompson, the company's chairman, said earnings for the quarter to June 30 were expected to show a "small" loss because of inventory write-downs and non-recurring provisions from an overhead cost-cutting programme. He said management would also be recommending a cut in the quarterly dividend to approximately 5 cents a share from 15 cents after the payment due on July 6. Shares in Smith Corona fell $⅞ on the news to close at $5⅝ on the New York Stock Exchange.

The shares were floated at a price of $21 late in July last year but within weeks fell sharply when the company announced lay-offs.

They have dropped further as Smith Corona's performance has deteriorated. Shareholders are suing both the US company and Hanson, alleging important information was omitted from the flotation documents.

Net income has fallen from $16.3m in the first quarter, to $12m in the second and $6.1m in the third quarter.

Mr Thompson blamed the figures on "continuing sluggish economic conditions" and "dumping on the part of Far Eastern manufacturers" in the US. He declined to quantify the inventory write-down to be taken in the fourth quarter, which follows similar action in the second quarter. But said the company, which claims some 55 per cent of the US market for portable electronic typewriters and personal word processors, continued to lead the industry and was pleased with the growth of its international business.

Wall Street analysts said that since write-offs did not consume cash, the cut in the dividend prompted questions as to whether the company was moving into losses at an operating level or needed to conserve funds for capital investment.

General Instrument sold for $1.6bn

By Roderick Oram in New York

GENERAL Instrument, a leading supplier of components to cable and satellite television companies, has agreed to a $44.50 a share cash takeover offer worth $1.6bn from Forstmann Little, a New York buy-out specialist.

The transaction is one of a mere handful of buy-outs for which financing has been available since the collapse of the junk bond market last autumn.

Forstmann Little was responsible for another big buy-out in February when it agreed to pay Chrysler $825m for Gulfstream Aerospace, the maker of executive jets. It says it has an advantage in doing deals because it can draw on a fund to provide subordinated debt for buy-outs financed by the investors who also provide the equity in the deals. Other buy-out specialists have typically relied on the public markets to fund takeovers.

Mr Ted Forstmann, a general partner in the buy-out group, said General Instrument had a dominant position in its business, predictable cash flows, and growth potential.

Mr Frank Hickey, General Instrument's chairman, said in his first quarter report, however, that moves afoot in Congress to reregulate the cable television industry "may cause some delay in the capital spending plans of our customers." This factor "could have a temporary short-term effect on our business," he said.

The company, which also makes lottery and wagering systems and electronic components, reported net profits of $98.7m, or $2.74 a share, on sales of $1.38bn for its fiscal year ended February, up from $85.5m, or $2.43, on $1.30bn a year earlier.

General Instrument said Mr Hickey had no further comment on the agreed bid beyond a one-paragraph statement recommending the bid to shareholders for its "excellent value."

General Instrument's stock price jumped $8¾ to $44¾ yesterday morning but Mr Forstmann said he did not expect another bidder to emerge.

The buy-out group is putting up some $800m for the deal in a ratio of about three parts subordinated debt to one part equity. Both chunks of money are coming from Forstmann Little's investors, mostly large pension funds and wealthy individuals.

The subordinated debt carries an interest rate of 100 basis points over five-year Treasuries – considerably cheaper, said Mr Forstmann, than more expensive forms of debt such as junk bonds.

Forstmann Little will also borrow $1bn which has already been committed by Manufacturers Hanover and Continental Bank of Chicago.

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Enimont disposes of Auschem for L110bn

By John Wyles in Rome

ENIMONT, the Italian chemicals joint venture, yesterday booked L110bn of the L1,500bn ($1.23bn) it is hoping to raise through asset disposals by selling its control of Auschem to Italy's Gruppo Maffeis.

Auschem, a quoted company which manufactures chemicals for the textiles and other industries, has been judged a non-strategic business by the Enimont management which is currently under the control of Mr Raul Gardini's Montedison and allies.

The joint venture's business plan, contested by its 40 per cent shareholder Eni, the state energy company, plans to dispose of around L1,000bn of assets in the second half of the year, having already opened negotiations on businesses worth around L500bn.

Purchase of Enimont's 51 per cent of Auschem satisfies the desire of the Gruppo Maffeis – whose chemicals activities are controlled by the Maffeis family of Bergamo – to take control of a quoted company.

With its 437 employees and six production plants in northern Italy, Auschem made L1.6bn net profits last year on sales of L178bn and its link-up with Maffeis' activities is seen as creating the basis for a fluids and detergents group in Italy better able to withstand international competition.

● SKF, the Swedish ball bearing manufacturer, said yesterday it acquired Italy's Gallino Gomma, a producer of sealing devices for machinery, for an undisclosed sum. SKF said Gallino had annual sales of around SKr100m ($16.5m) and was based in Turin, writes Our Financial Staff.

The purchase was part of SKF's strategy to become a world leader in sealing equipment, the Swedish company said. SKF agreed last March to acquire US seal manufacturer CR Industries, with annual turnover of SKr1.7bn. Gallino Comma is the leading Italian manufacturer of oil seals and has 250 employees. SKF is the biggest European bearing seal producer but relatively small in oil seals.

Computer industry hardens against softening market

Alan Cane on how cooling demand, intensifying competition, and rising costs are squeezing producers

THE announcement yesterday by Philips of a Fl 2.7bn ($1.44bn) charge to cover the slimming down of its struggling computer activities is ample evidence that conditions in the European computer industry, already tough, are getting tougher.

Every sector of the industry is affected, from mainframe computers and minicomputers to personal computers, software and services. Mr Carlo De Benedetti, chairman of Olivetti, encapsulated the position when he warned the Italian company's shareholders last month that it was going to be "another very difficult year."

Competition is intensifying as US and Pacific Rim manufacturers turn their attention to Europe to compensate for declining sales in the US computer market, stagnant for several years now.

The picture is particularly grim in the UK, at present the softest market in western Europe through a combination of high interest rates and poor economic outlook.

It is hitting US manufacturers, such as Digital Equipment, the second largest computer manufacturer, who have traditionally looked to the UK for strong and sustained growth. Across the board, however, growth in Europe is probably less than 10 per cent a year, although in sectors such as workstations, it remains substantial.

According to the market research organisation Dataquest, the market for high powered workstations grew from $1.43bn in Europe in 1988 to an estimated $2.06bn in 1990.

The industry is slowing down, however, and many companies are experiencing sharp contraction pains. This slowdown is proving especially arduous for software and services companies which have had some five years of annual growth rates in excess of 20 per cent. Many of their middle and junior managers have never before had to cope with an industry running out of steam.

The reasons for the slowdown are complex. An underlying cause is the relentless pace of technological advance, which is forcing companies to spend heavily on research and development to maintain a competitive position while driving down prices and cutting heavily into margins.

Associated with these developments is the growing acceptance of industry standard systems based on standard microprocessors and industry-wide or "open" operating systems which allow several people to use a personal computer or workstation simultaneously.

According to Dataquest, the market for multi-user PCs with Unix, the most popular open operating system, grew from $788m in 1988 to $2.9bn in 1989. ICL of the UK says its Unix related business is growing at 30 per cent compared with under 10 per cent for the whole business.

The costs of developing systems based on standard components are significantly lower than those involved in proprietary technology. Companies which failed to make the change to industry standard systems quickly enough are finding their costs out of line with the competition in a fast growing market.

Plunging profitability at Philips, for example, was attributed by its outgoing president Mr Cor van der Klugt to losses of "hundreds of millions of guilders" in its information systems division.

As part of the far-reaching reorganisation announced last month – and which led to the financial charges announced yesterday – the company said its data systems product group would drastically prune development of proprietary products in favour of "standard hardware products and open system."

Local circumstances, however, are playing a big part in the performance of individual national markets.

The strength of the lire, for example, means that Olivetti will have to run hard just to stand still. Mr De Benedetti thought it could cost the company L100bn ($82m) this year. He believed that Olivetti had made the change to open systems in time and that it was "on the right road." Orders for the first five months of the year were, significantly, 13 per cent up.

Siemens of West Germany is still absorbing its compatriot Nixdorf, the small computer maker which failed to move quickly enough to open standards or to keep costs in line with revenues. Its home market is healthy, however, and overseas subsidiaries report satisfactory growth with no real evidence of customers postponing computer investments.

In the UK, customers are delaying large orders and postponing major projects. DEC blamed a 90 per cent fall in profits in its third quarter on softness in its two principal markets, the US and the UK.

Mr Geoffrey Shingles, UK managing director and a company vice-president says the reason the company is likely to grow less than 10 per cent in the UK this year compared with 20 per cent annually in earlier years is a purchasing slowdown among a small number of very large customers. The company had also been slow to move to standard systems: "We were about a year late and that hurt us."

Mr Shingles' answer has been to slim down the organisation. It has not taken on new staff since September. Some 300 people have already gone and Mr Shingles is looking for another 450 redundancies in the next year.

ICL, a subsidiary of STC, was one of the earliest European companies to commit to open systems. It was, as Mr Peter Bonfield, ICL chairman agrees, a substantial gamble in the early 1980s when there was no certainty that Unix would become an open standard.

It has paid off, however, in terms of several years of sustained profitability. And 350 of its "hottest" Unix computer, the DRS 6000 workstation, worth £350m have been shipped since January.

But high research and development costs were incurred in the process, which were partly behind a profits warning delivered last month by Mr Arthur Walsh, STC chairman.

Both DEC and ICL are anxious to cut costs by improving distribution through third parties. ICL, for example, plans to extend sales of the DRS 6000 through original equipment manufacturer agreements.

Cost cutting and moves to open systems may be too late for some companies and further rationalisation in the European industry is expected.

Danish duvet maker prepares for growth

By Hilary Barnes in Copenhagen

DENMARK'S Northern Feather, one of Europe's leading suppliers of duvets, is bedding down for international growth.

The group requested a suspension of its Copenhagen Stock Exchange quotation yesterday while it negotiates "international co-operation" with leading textile companies in North America, the Far East and Europe, launching the group "on a new phase of international expansion."

Northern Feather doubled its turnover to DKr2.6bn ($410m) last year after acquiring Chatham Manufacturing Company, the US manufacturer of textiles, home furnishings and bedding equipment. Net profits increased from DKr45m in 1988 to DKr72m.

Yesterday's statement gave no details on the agreements under negotiation or with whom the negotiations are taking place.

But moving up on the downside is Northern Feather's strategy. "Only the largest businesses with an international background have a positive and constructive future," it said.

Some 95 per cent of Northern Feather's operations are outside Denmark through 15 factories in Europe, eight in North American and five in south-east Asia and Australasia.

Results in the 18-month fiscal year ending in September will be in line with the half-year interim, said yesterday's statement.

Turkey plans to sell part of state-owned airline

By Jim Bodgener in Ankara

THE Turkish Government has decided to sell part of state-owned Turkish Airlines which needs a capital infusion to fund a series of aircraft acquisitions.

Turkish Airlines wants to increase its paid-in capital to TL700bn ($264m) from TL150bn. The TL350bn required this year will probably be raised partly through the sale of shares, and partly from the resources of the Public Participation Administration (PPA), which orchestrates the Government's denationalisation programme.

With a healthy cash flow, the airline is over the peak of debt servicing contracted largely from orders for 14 Airbus 310s in the 1980s, said Dr Cem Kozlu, general director.

In 1989, it met debt servicing of $150m in capital and interest repayments, and an additional bill of $62m for equipment, and that was before its capital had been increased to TL150bn. In the first four months of this year, revenues were about $200m.

Revenue per passenger kilometre was up by 23 per cent in the first five months of the year compared with January-May 1988. Passenger load factors increased by more than 40 per cent and cargo by 33 per cent, reflecting increasing numbers of tourists travelling with the airline, and recovery in the Turkish economy generally, said Mr Kozlu.

Turkish Airlines' most recent aircraft deal, valued at $350m, placed leasing orders with GPA and ILFC, the two leading international aircraft leasing concerns, for 10 new mid-range Boeing 737-400s.

To develop long-haul routes, the airline has already committed itself to the purchase between 1993 and 1997 of five Airbus 340-300s worth more than $300m. It has an option for five more in the two following years.

COMPANY NEWS IN BRIEF

VISA International, the credit card organisation, has introduced new systems to make the Visa card more acceptable by hotels, airlines and car rental companies, writes David Lascelles.

The organisation predicted yesterday that the changes would produce an increase of $450m in revenue over the next three years for its member issuers in Europe, Africa and the Middle East.

Visa said the changes included new authorisation systems and operating procedures to streamline the card's use in the travel and entertainment industries.

The moves are an attempt by Visa to capture more of the plastic card market currently dominated by issuers such as American Express, and also to take more of a market where 40 per cent of transactions are still paid for by cash or cheque.

■ Générale Bank of Belgium said it sold its 23.15 per cent stake in European American Bancorp to Amsterdam-Rotterdam Bank of the Netherlands following approval of their agreement by US bank regulators, Reuter reports.

Générale said it made a capital gain on the share sale but did not disclose the price. It decided to sell the stake because it overlapped with its branch activities in New York.

■ Heidelberger Zement, the West German construction supplies concern, expects group sales to rise around 10 per cent in 1990 to about DM2.2bn ($1.32bn), AP-DJ reports. But the company said rising operating outlays have been sapping profitability and keeping earnings from growing in line with sales.

■ Robert Bosch, the privately-owned West German electronics group, said it had set up a joint venture with East Germany's FER Fahrzeugelektrik to manufacture car parts in Eisenach, Reuter reports.

Bosch said the new venture, Robert Bosch Fahrzeugelektrik Eisenach, still needed approval by the Federal Cartel Office.

Statoil to take 80% stake in methanol plant venture

By Karen Fosell in Oslo

STATOIL, Norway's state oil company, is to spend a total of NKr4.2bn ($655m) on two projects involving the construction of a Norwegian methanol plant and the time-charter of five big oil tankers currently under construction.

For the methanol plant, in which Statoil will have an 80 per cent stake and operating responsibility, the company has agreed a joint venture with the Norwegian unit of Conoco and its parent company Du Pont, the US chemicals group. These will together have the remaining 20 per cent stake.

The plant, which is scheduled to come on stream in 1996, is to be built at an as yet unchosen site in mid-Norway and will have an annual production capacity of 830,000 tonnes of methanol, which will cover between 15 per cent and 20 per cent of western Europe's demand.

The plant will be supplied with 750m cubic metres annually of natural gas from the big Heidrun offshore oil and gas field which is scheduled to come on stream in mid-1990.

Statoil said the development of a methanol business represents the first large-scale natural gas application in Norway, which will widen the range of the company's petrochemical activity and may provide a basis for other chemical/petrochemical upgrading.

Separately, Statoil said it had awarded three time-charter contracts worth NKr2.2bn for five Afra-max type crude oil tankers to Norwegian shipping companies E.B. Aaby, Christian Haaland and M.J. Ludwig Mowinkel Rederie.

The contracts have a duration of between five and 10 years with options for extending them beyond 10 years.

The new contracts increase Statoil's fleet to 28 crude oil tankers.

Hungarian deal

METALLGESELLSCHAFT, the West German metals, chemicals and trading group, has acquired a 30 per cent stake in Ozder Stahlwerke, a newly formed Hungarian steel processing group, for an undisclosed sum, AP-DJ reports. A further 30 per cent interest has been bought by another West German company, Korf KG, of Baden-Baden.

The remaining 40 per cent of Ozder will be retained by a new Hungarian state holding company OKU.

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Notice of Early Redemption

On behalf of the Issuer, S.G.Warburg & Co. Ltd. hereby gives notice to holders of the above-mentioned Bonds of the Issuer's election to redeem the outstanding, unconverted Bonds on Friday, 24th August, 1990 at 100¼ per cent. in accordance with Condition 6(B) of the Bonds.

Consequently on Friday, 24th August, 1990 there will become due and payable upon each outstanding Bond the principal amount thereof together with the premium and accrued interest to said date, at the office of the Principal Paying Agent:-

S.G.Warburg & Co. Ltd.
2 Finsbury Avenue, London EC2M 2PA

or at the office of one of the other paying agents named on the Bonds.

Accrued interest will be calculated on 323 days and will amount to US$60.56 per Bond. Interest will cease to accrue on the outstanding, unconverted Bonds on Friday, 24th August, 1990, and these Bonds will become void unless presented for payment within a period of 12 years from that date. Matured Coupons will become void unless presented for payment within a period of 6 years from the due date for payment thereof.

Bonds for redemption and payment should be presented together with all unmatured Coupons, failing which the amount of the missing unmatured Coupons will be deducted from the sum due for payment. Any amount of principal so deducted will be paid in the manner mentioned above against surrender of the relative missing unmatured Coupons. Such Coupons will become void unless presented within a period of 12 years from Friday, 24th August, 1990.

Notwithstanding the foregoing, the holder of any Bond will, at any time up to and including 17th August, 1990, have the right to convert the principal amount of such Bond into Ordinary Shares of Imperial Chemical Industries PLC at the conversion price prevailing at the time of conversion in accordance with the Terms and Conditions of the Bonds.

3rd July, 1990

ICI

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£100,000,000

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Imperial Chemical Industries PLC

Notice of Early Redemption

On behalf of the Issuer, The Chase Manhattan Bank, N.A. hereby gives notice to holders of the above-mentioned Bonds of the Issuer's election to redeem the outstanding, unconverted Bonds on Friday, 24th August, 1990 at 103 per cent. in accordance with Condition 6(C) of the Bonds.

Consequently on Friday, 24th August, 1990 there will become due and payable upon each outstanding Bond the principal amount thereof together with the premium and accrued interest to said date, at the office of the Principal Paying Agent:-

The Chase Manhattan Bank, N.A.
Woolgate House, Coleman Street, London EC2P 2HD

or at the office of one of the other paying agents named on the Bonds.

Accrued interest will be calculated on 309 days and will amount to £72.96 per Bond. Interest will cease to accrue on the outstanding, unconverted Bonds on Friday, 24th August, 1990, and these Bonds will become void unless presented for payment within a period of 12 years from that date. Matured Coupons will become void unless presented for payment within a period of 6 years from the due date for payment thereof.

Bonds for redemption and payment should be presented together with all unmatured Coupons, failing which the amount of the missing unmatured Coupons will be deducted from the sum due for payment. Any amount of principal so deducted will be paid in the manner mentioned above against surrender of the relative missing unmatured Coupons at any time within the period expiring 6 years after the date for payment shown thereon.

Notwithstanding the foregoing, the holder of any Bond will, at any time up to and including 17th August, 1990, have the right to convert the principal amount of such Bond into Ordinary Shares of Imperial Chemical Industries PLC at the conversion price prevailing at the time of conversion in accordance with the Terms and Conditions of the Bonds.

Holders who elect in respect of some or all of their Bonds or Coupons to receive any payment in U.S. dollars must give irrevocable notice thereof, not less than ten Business Days (as defined in the Trust Deed) prior to the due date for payment, by lodging such Bonds (together with all unmatured Coupons to be surrendered therewith) or, as the case may be, Coupons, together with a duly completed form of election (supplies of which will be available from the offices of the Paying Agents), at the office of the Paying Agent from which payment is desired. The lodging of such form of election in respect of any Bond shall terminate any conversion right in respect of such Bond.

3rd July, 1990

Sanlam seeks full control of diverse Afrikaans group

By Philip Gawith in Johannesburg

SANLAM, the South African insurance group, has made a R305m ($115m) offer to take full control of Federale Volksbeleggings, one of the most significant symbols of Afrikaans involvement in the business community.

Fed Volks began in 1940 when members of the Afrikaans community got together to form a company which would increase their involvement in business, then dominated by English-speakers. The first main sector it became involved in was fishing when it took a stake in Marine Products. Cash flow from there allowed a later diversification into mining, banking and chemicals.

Sankorp, the industrial arm of Sanlam, has 63 per cent of Fed Volks equity and will support a scheme of arrangement which will result in the delisting of Fed Volks. Institutional and other investors holding a further 22 per cent of the equity have undertaken to vote in favour of the scheme.

The offer to ordinary shareholders amounts to 460 cents per share, a 53 per cent premium over a 300 cents market price before the shares were suspended recently. Shareholders have an option of taking a mixture of equity and cash.

According to Mr Peet van der Walt, Fed Volks chief executive, the main reason for the scheme is that large amounts of capital will have to be raised for various of its subsidiaries and this will be very expensive given the current poor share price. Fed Volks performed poorly in the year to March, with earnings per share down 33 per cent.

A further rights issue would also be unlikely to find favour with minorities, already called upon in 1986 and 1988 to provide fresh capital, and this would further depress the share price. Mr van der Walt believes a delisting will allow for quicker growth and avoid the long consolidation period which would result if it were to remain a public company.

DFC New Zealand creditors reassured

By Our Financial Staff

CREDITORS of DFC New Zealand, a merchant bank which collapsed last October owing NZ$2.2bn (US$1.3bn), were told yesterday their claims should be met in full.

This represents an improvement on an earlier estimate that only around 75 per cent of the debts could be repaid. However, some creditors would have to wait longer than seven years, and interest rates in the meantime would be below market levels.

The plan emerged as part of a restructuring proposed by Mr Sandy Maier, the statutory manager who was installed at the former government-run institution. Creditors will be asked to decide on the measures next month.

Those with an exposure to DFC include several large Japanese institutions, which were particularly distressed because they understood that their loans were covered by New Zealand Government backing even after the company was privatised.

In 1988, the Government passed control of DFC to the National Provident Fund, a public servants' pension fund, and Salomon Brothers of the US took 20 per cent.

For its latest year to March, DFC's net loss was given as NZ$1.02bn. Provisions for loan losses have been lifted to NZ$784m from an original estimate of NZ$700m, while a total of NZ$167m has also now been allocated for future deterioration in credit quality and non-loan related items.

The secret life of an Italian insurer

Haig Simonian on Generali's apparent lack of European strategy

True to form, Saturday's annual general meeting of Generali, Italy's biggest insurance company, revealed little about what is going on at the reserved Trieste-based group, and said even less as to where it is going.

Like Allianz, its bigger West German rival, Generali's dominant domestic position, its huge property portfolio and its immense investment income have created an aura of invincibility which has stifled questioning and reinforced a reputation for non-disclosure which makes even the Germans seem talkative.

But unlike Allianz or Groupe Victoire in France, both of which are pushing through ambitious European expansion programmes, Generali, whose chairman is the veteran Mr Enrico Randone, seems to be resting on its laurels. Even Fondiaria, its much smaller domestic counterpart, has sealed co-operative pacts in France and Germany. By contrast, Generali has fiddled.

Admittedly, the company currently generates 74 per cent of its L11,974bn ($9.8bn) net premium income abroad – a higher proportion than many European competitors. Italy, however, is a small insurance market, only accounting for 7.9 per cent of total European Community premium income in 1988, against 32 per cent for Germany and 23.6 per cent for the UK.

The reasons for Generali's inaction are complex. For many Italians brought up on a diet of gossip and conjecture, its failings are enmeshed in the machinations, real or imagined, of Mediobanca, the powerful Milan merchant bank, with which it is closely associated.

Meanwhile, many foreigners seem not to care. For the average non-Italian fund manager underweight in Italian stocks, Generali is a blessing. Not only does it have by far the highest capitalisation of any company on the Milan stock exchange, it is also one of the few big quoted groups which is not dominated by a shareholders' pact or a prominent family.

Thus foreign institutions know they can safely deal in size in Generali shares on the otherwise not always liquid and often rumour-prone Milan bourse. Moreover, the thought that Generali's strategic lapses may turn it into a takeover target adds extra interest for some. Others may be punting on the possibility that Mediobanca is losing its grip.

In most of its recent expansion attempts, Generali has failed to show the same surefootedness as its foreign rivals. Its bungled 1987 bid to win Compagnie du Midi, the French insurer, ended in failure when Midi struck a defensive deal with Axa, another big French insurer, leading to a substantial dilution in Generali's stake and a hefty writedown in its expensively bought shares.

Enrico Randone: bids speculation "pure journalists' fantasy"

With just over 16 per cent of Axa-Midi today, it is hard to see what Generali has got for its money. Certainly, Axa-Midi's dividend yield of around 2 per cent is a poor return on the L1,250bn, if not more, the Italians are thought to have spent.

The jointly-owned company established after last September's long-awaited "collaboration agreement" between Generali and Axa-Midi as the vehicle for future insurance acquisitions has yet to make a move.

Responding angrily to journalists' questions, Mr Randone described any speculation on possible bids as "pure journalists' fantasies." Generali was not even involved in Axa-Midi's participation in the abortive Hoylake bid for BAT.

Generali's latest takeover in March shows little more savvy, analysts say. Many remain puzzled as to why it should have spent $285m on a 95 per cent stake in Business Men's Assurance, a US life group based in the mid-West.

Not only do many analysts view the acquisition target as mediocre at best, but they cannot see the strategic sense in it for Generali. "It doesn't really give them anything," says one, suggesting that Generali should have tried to net a bigger fish if it was really serious about developing a US life business.

Yet none of Generali's recent moves has been odder than the attempt late last year to buy a 13 per cent stake in Nuovo Banco Ambrosiano (NBA), now Italy's biggest private bank following its merger with Banca Cattolica del Veneto.

The failed plan, which left Generali with just half the shares it wanted, lent weight to those suspecting the private agenda of Mr Enrico Cuccia, Mediobanca's veteran guiding spirit, than any logic for the insurer.

Yet even if Generali were just the tool in a long-term strategy to merge NBA with Banca Commerciale Italiana (BCI), as a first step towards creating a new Italian financial powerhouse with which it would then combine, the plan has not worked. Last week, it was revealed that BCI is indeed discussing possible links – thought to include cross-marketing – with an insurer. However, the company is Fondiaria, not Generali.

According to Mr Randone, the holding in NBA shares "could be strategic but it could not. One thing doesn't rule out the other."

Whatever its strategic lapses, Generali produces impressive profits and dividend growth. Consolidated group net earnings rose by 11.7 per cent to L570bn last year, prompting a L20 a share dividend increase to L350 per ordinary share and a one-for-10 bonus issue.

But even its earnings record may not last. With a booming real estate market in Italy and soaring city-centre rents, it is hard to tell how much of Generali's profits stem from sitting back on its crown jewels rather than clever portfolio management.

"It's hard to go wrong if you own most of Saint Mark's square in Venice or a large chunk of central Vienna," says one analyst.

For the real challenges facing Generali still lie ahead. In common with other Italian insurers, it faces two major problems.

● With motor insurance comprising the bulk of non-life policies in Italy, insurers will continue to take heavy underwriting losses until the Government, which sets tariffs, allows premiums to go up. That seems unlikely at present. "Things will only change when companies start to go bust," according to one analyst.

While Generali is partly cushioned by its earnings on the life side, which account for some 45 per cent of its domestic group premium income, some observers even doubt the much-vaunted growth potential of the Italian life market.

● More important, Italian insurers have to develop new distribution systems. At present, agents have territorial exclusivity, meaning they receive commissions irrespective of how a policy is sold in their patch.

That has stifled attempts to develop new sales methods, such as the bank-insurance links forged in Germany in the past three years. Moreover, the heavy cost burden of the current system will handicap domestic insurers once the market is thrown open to full competition after 1992.

As usual, none of these questions were adequately addressed by Generali's board at its shareholders' meeting. But they are precisely the issues the company will have to confront if its future is to live up to its glittering past.

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The Financial Times proposes to publish this survey on:

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For a full editorial synopsis and advertisement details, please contact

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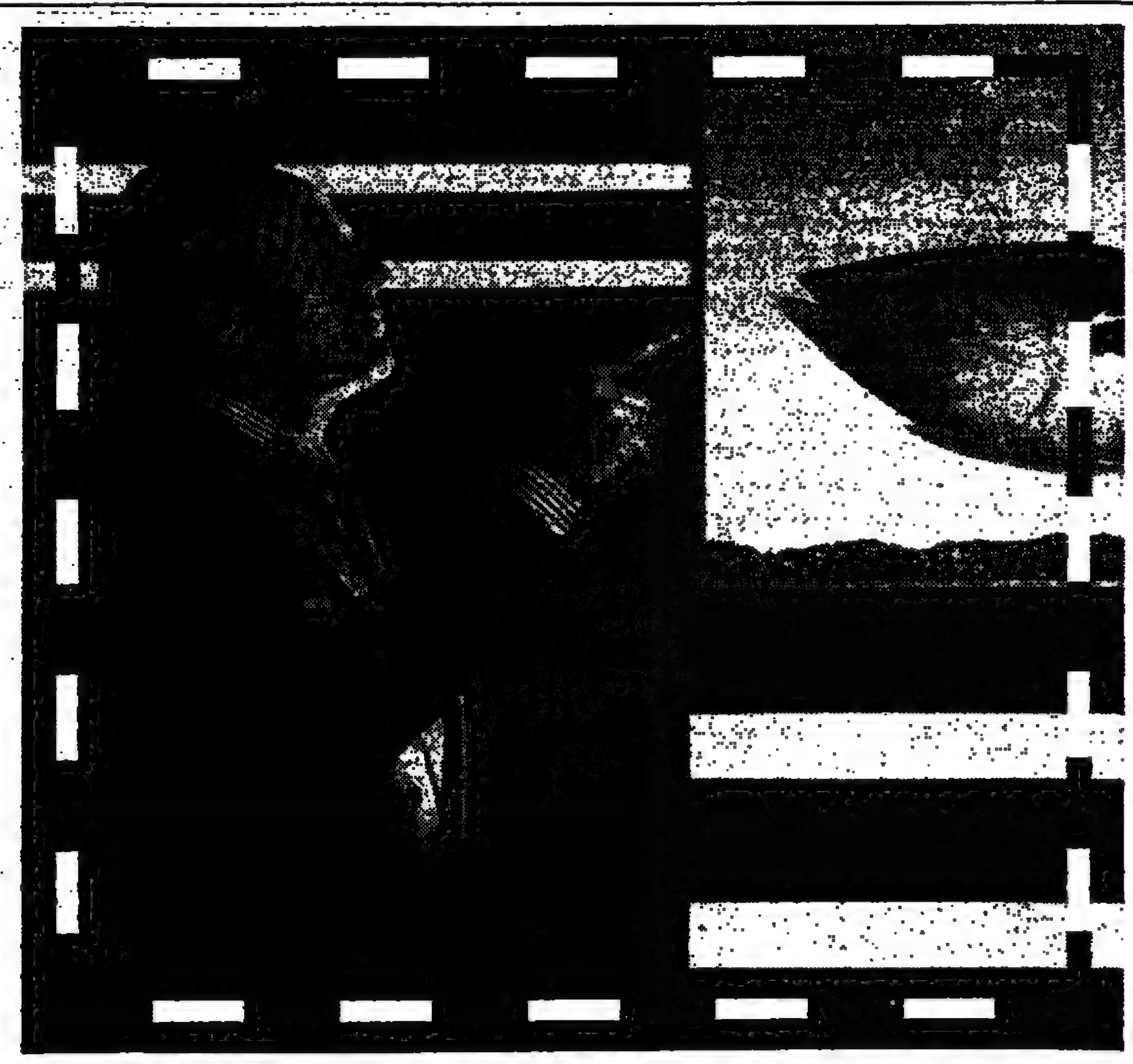

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INTERNATIONAL COMPANIES AND FINANCE

US mergers and acquisitions fall 43%

By Stephen Fidler, Euromarkets Correspondent

A RISE in European mergers and acquisitions in the first half of the year, has partly offset a significant drop in US M&A activity. But the value of cross-border takeovers dropped significantly compared with a year ago.

Figures from IDD Information Services show the value of US M&A activity dropping 43.3 per cent to $112.4bn from $198.5bn in the first half of the year. The number of acquisitions in the US declined 5.9 per cent in the second quarter, bringing about a 15.2 per cent decline for the first half. Some 2,140 transactions took place compared with 2,524 in the same period in 1989.

But European M&A activity is on the rise. The dollar value of European deals rose to $66.1bn from $55.6bn, while the number of deals rose 22.7 per cent to 2,184.

So far this year, there have been 1,184 cross-border acquisitions announced, worth $55.4bn. Last year in the same period, there were 1,221 deals worth $92.1bn. Companies from the UK have led the international acquisition trail so far this year, with 179 deals worth $12.1bn. US companies were next (158 deals, $11.4bn), followed in turn by French corporations (99 deals $8.6bn).

Among US advisers, according to IDD, Goldman Sachs jumped into first place, from 11th a year ago, completing 41 deals with a total $29.1bn. Wasserstein Perella moved up one place to second with 19 deals and $23.6bn, with Lehman Brothers in third position. The leading adviser in the first half of last year, Morgan Stanley, was ranked ninth, according to the figures, with 28 deals worth $10.6bn.

Successful privatisation of Unicer

By Patrick Blum in Lisbon

THE FULL privatisation of Unicer, a Portuguese brewing company, has been completed successfully with the sale of the state's remaining 51 per cent stake, but the results sent a warning signal to the authorities over future limits on purchases by foreign investors.

There was strong demand for shares and only about 65 per cent of orders could be satisfied. Paradoxically, the underwriters were left with 4.7 per cent of the shares because of a government 20 per cent limit on foreign shareholders.

As a result, lower than expected demand by small domestic investors could not be compensated for by foreign institutional investors.

Out of total foreign orders for 2.1m shares, demand for 1.55m shares worth Es6.4bn ($42m) could not be met. All the allowed foreign shareholding was taken up by Cervuniao, representing the Colombian Santo Domingo group, which raised its stake from 11.6 per cent – secured during Unicer's earlier part-privatisation – to 20 per cent, making it the company's second largest shareholder.

A Portuguese group consisting of Corfi (textiles and tourism), Sogrape (wine) and Arsopi (engineering) secured a dominant position by increasing its shareholding from 14.4 per cent of the shares to about 40 per cent. The rest of the shares are held by small Portuguese investors.

Over 3.3m shares were sold raising Es13.2bn ($88m), an amount exceeding the Es9.5bn raised for the 49 per cent part-privatisation of the company last year.

Ford launches new Escort/Orion

By Kevin Done, Motor Industry Correspondent

FORD IS launching a new generation Escort/Orion in the late summer in a fresh assault on one of the most competitive sectors of the western European car market.

It is part of a far-reaching renewal of Ford's European product range, which includes the replacement of the Fiesta small car last year and the planned replacement of the Sierra in 1992.

The Escort/Orion, which will be produced at three locations in Europe – Halewood, Merseyside in the UK, Saarlouis in West Germany and Valencia in Spain – will replace the present Escort range which was launched in September 1980.

The lower-medium segment accounts for about a third of all new car sales in western Europe and Ford faces tough competition from the Volkswagen Golf/Jetta, the best-selling car in Europe, and General Motors' Opel Kadett/Vauxhall Astra, as well as the Fiat Tipo, launched in 1988.

The new Ford Escort: goes on sale in September

In 1988 the Escort/Orion was in third place in its segment in the European market behind the Golf/Jetta and the Kadett/Astra, but it plays a more significant role in the UK, Ford's single largest market in western Europe, where it has topped the best seller's list for much of the 1980s and was still the best-selling car in the UK in 1989.

Competition in the segment is set to intensify in the next two years with the entry into the market next year by Citroën, part of the Peugeot group of France, with a new car range positioned between its present AX and BX ranges.

At the same time General Motors is set to replace its Kadett/Astra range in 1991, while Volkswagen is planning to unveil a successor for its Golf/Jetta in 1992.

Ford, which today releases the first photograph of the new generation Escort/Orion, said that it was placing 350 pre-production cars with fleet users in six European countries, in order to test the quality and reliability of the new range.

It said the early customer valuation programme, a technique adopted last year for the launch of the Fiesta small car range, would be used to detect and correct any quality concerns ahead of the car going on public sale in September. The range will be unveiled at the Birmingham motor show in early September.

BASF plans sale of two US businesses

By Peter Marsh

BASF, the big West German chemicals company, said yesterday it was putting up for sale two businesses in the US, thought to be worth about $450m.

BASF's surprise announcement comes after several years in which many large European chemicals companies have built up their operations in the US, the world's biggest chemicals market. The move was seen as an indication that BASF is taking a sharp line on leaving businesses which it believes do not have an especially profitable future.

BASF wants to sell its US inks business, which has sales of about $300m a year, and its activities in that country in fragrances.

The West German company is one of the world's top three companies in inks.

It achieved a leading position in the US inks business as recently as 1985 through its $1bn takeover of Inmont, formerly part of United Technologies.

BASF's US fragrances business is controlled by Fritzsche Dodge and Olcott, a BASF subsidiary which the company bought in 1980. It has estimated annual sales of about $150m.

The German company employs 1,400 people in inks in the US and 850 in fragrances.

It has asked Morgan Stanley, the New York bank, to advise it on possible purchasers for the inks division and Wasserstein Perella, another US bank, to help on the fragrances sale.

The company said it wanted to sell both units because they did not fit into its long-term strategy.

The German group said the decision to sell its US inks activities did not negate the rationale of the Inmont purchase.

The main point of this had been to strengthen the group's position in car paints in the US.

BASF has about 10 per cent of the US inks market, worth an estimated $2.5bn a year. Other large groups in the US include Dainippon of Japan and Total of France – which with BASF are the world's top three inks companies – together with Toyo of Japan and Britain's Imperial Chemical Industries.

Stora Kemi acquisition may be blocked

By John Burton in Stockholm

SWEDEN'S Competition Ombudsman yesterday recommended that the purchase of Stora Kemi by Nobel Industries, the Swedish chemicals and armaments concern, be blocked. The Competition Ombudsman said it would make Nobel the country's dominant supplier of bleaching chemicals for the pulp and paper industry.

News of the action came as Stora Kemi, the chemicals division of the forestry group Stora, announced it was planning to assume full ownership of its Canadian subsidiary Alby-Olin by buying the 49 per cent shareholding held by Olin Corporation for SKr320m ($53m). The deal was being conducted at the request of Nobel Industries, it said.

Nobel's SKr1.93bn acquisition of Stora Kemi was announced in May and was scheduled to be concluded last Friday, but last-minute details prevented its completion.

The Competition Ombudsman, who has the status of a public prosecutor, has requested that Sweden's Marketing Court, which rules on anti-trust matters, temporarily block the merger while it reviews the case. The Marketing Court is expected to respond to the request within the next several weeks.

The ombudsman said the acquisition would give Nobel a 92 per cent share of the domestic market for sodium chlorate, a chemical that is rapidly replacing the more environmentally harmful chemical chlorine in the bleaching of pulp.

Nobel already controls 97 per cent of the Swedish market for hydrogen peroxide, another widely used bleaching chemical.

An intervention by the Competition Ombudsman in blocking a merger is rare in Sweden, which is one of the few industrialised countries to permit legal cartels and monopolies in order to improve the country's export capability.

Competition is normally ensured by imports, however. The Competition Ombudsman expressed doubts that imports of pulp bleaching chemicals, mainly from East Germany, Norway and Finland, were likely to represent much of a competitive challenge to Nobel.

Nobel expressed surprise at the Competition Ombudsman's recommendation, but would not comment further on the issue.

"We will continue to implement those actions the law allows concerning the acquisition," said Mr Dag Stromqvist, president of Eka Nobel, the pulp chemicals division of Nobel Industries.

Rothmans buys Dutch tobacco producer for Fl 245m

By Our Financial Staff

ROTHMANS International, the UK cigarette and luxury goods group, is paying Fl 245m ($130m) for Theodorus Niemeyer, a Dutch producer of pipe and rolling tobacco under brands such as Samson, Sail, Clan and Holland House.

Niemeyer is being sold by Gallaher, a British offshoot of American Brands, which said it wanted to concentrate European development on its cigarette business, which include Benson and Hedges and Silk Cut.

Rothmans said the acquisition "will significantly strengthen Rothmans' presence in the fine cut and pipe tobacco markets, particularly in Europe in advance of the advent of the single European market."

It estimated the book value of the assets being acquired at Fl 172m and put Niemeyer's pre-tax profit in the nine months to June at Fl 34m.

Last week Lord Swaythling, chairman of Rothmans, in announcing a 24 per cent rise in pre-tax profits to £405.6m ($690m) for the year to March, stressed the resilience of its tobacco brands and said growth would be mainly organic. However, it had more than £500m net liquid funds available.

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June, 1990

INTERNATIONAL CAPITAL MARKETS

Bunds rally despite doubt over monetary union

By Stephen Fidler in London and Karen Zagor in New York

THE German government bond market celebrated monetary and economic union with a rally yesterday, but trading volume could only be described as modest.

Prospects for the first bond issue from the German unity fund, terms for which will be announced tomorrow, and a batch of economic statistics for May due later this week helped to subdue trading.

According to traders, the market has discounted an issue of between DM5bn and DM6bn of 10-year fixed rate unity bonds.

A yield premium of 10 to 15 basis points over the traditional bund issue is expected, to make up partly for the fact that the bonds, while state guaranteed, are not a direct state issue and that they will not be deliverable against the futures contract in London.

At least two German banks are said to be lobbying the Deutsche Terminboerse, which begins bund futures trading in September, to allow unity bonds to be deliverable against its contracts.

With the yield on the 10-year bund at around 8.67 per cent late yesterday, a coupon of 8¾ per cent or, more probably, 8⅞ per cent seems likely.

Some traders suggest that to ensure a good reception, the issue should carry a 9 per cent coupon.

Trading on Liffe accounted for a modest 22,500 contracts, and the active September contract ended at about 83.50, up 35 basis points on Friday.

Traders said a strengthening of the D-Mark on the foreign exchange market helped bond prices.

The yield spread against the French market was little changed in the 10-year area at around 95 basis points.

Mr Steve Major of UBS Phillips & Drew in London said he was recommending switches out of 5-year German Bundesobligationen into French BTAN.

The yield difference of 108 basis points is close to recent highs, and there is a prospect for more German issuance in that maturity.

■ THE UK government bond market put in a lacklustre performance and a very modest 8,700 contracts traded on Liffe in the long gilt future.

Consumer credit and retail sales figures for May depressed the market somewhat.

One of the benchmarks – the 11¾ per cent issue of 2003-7 – ended down nearly ⅛ point at 102$\frac{13}{32}$.

■ US Treasury bonds were narrowly mixed yesterday morning in a market which is expected to remain lacklustre ahead of Wednesday's Independence Day holiday.

At mid-session, the Treasury's bellwether 30-year bond was down $\frac{1}{16}$ point at 103$\frac{25}{32}$ yielding 8.40 per cent, while shorter-dated maturities were unchanged.

The Federal Reserve entered the open market to arrange $2bn in customer repurchase agreements when Fed funds, the rate at which banks lend to each other, were changing hands at 8¼ per cent.

The move, which adds liquidity to the banking system, was widely expected.

The only economic news of the morning was the release of the national purchasing management index for June, which rose to 51.1 per cent in the month from 50.7 per cent in May.

Although the increase in June was at the upper end of expectations, it had little impact ahead of Wednesday's Fourth of July holiday.

In addition, traders are waiting for Friday's release of employment data for June, which is expected go give a clearer picture of the state of the US economy.

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		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
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		10.500	5/99	93-11	-13/32	11.72	11.61	12.00
		9.000	10/08	85-15	-14/32	10.83	10.73	11.01
US TREASURY *		8.875	05/00	102-30	-02/32	8.43	8.53	8.44
		8.750	05/20	103-19	-02/32	8.42	8.51	8.43
JAPAN	No 119	4.800	6/99	86.4931	+0.168	7.29	7.21	6.86
	No 2	5.700	3/07	91.1786	+0.001	6.83	6.73	6.45
GERMANY		7.750	02/00	94.1000	+0.110	8.66	8.77	8.69
FRANCE	BTAN	9.000	02/95	96.4555	+0.036	9.98	10.02	9.98
	OAT	8.500	03/00	93.0300	-0.100	9.62	9.64	9.64
CANADA *		9.750	05/00	94.3500	+0.050	10.69	10.93	10.73
NETHERLANDS		9.000	05/00	100.9800	+0.140	8.84	8.91	8.92
AUSTRALIA		12.000	7/99	92.8960	+0.098	13.36	13.60	13.44

London closing, *denotes New York morning session
Yields: Local market standard. Prices: US, UK in 32nds., others in decimal

Technical Data/ATLAS Price Sources

GOVERNMENT BONDS

Portugal restricts corporate foreign debt

THE Bank of Portugal has clamped down on foreign borrowing for Portuguese companies by insisting that 40 per cent of the value of any capital raised abroad must be deposited with the central bank, AP-DJ reports.

The measure took effect on July 1 and affects Portuguese companies' loans with foreign banks and bond or stock issues offered on foreign capital markets or bought by foreign investors. No interest would be paid on the deposits, the bank said. "Foreign capital inflows over the last months have registered a marked increase, bloating domestic liquidity and creating difficulties for economic policy," it said.

The Government is waging war against inflation, currently 14 per cent annually and one of the highest rates in the European Community. The measure is the second significant monetary policy announcement within a week.

FT/AIBD INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 5:15 pm on July 2

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ABBEY NATIONAL 8 7/8 93	150	99	99½		9.27
ALBERTA PROVINCE 9 3/8 95	600	101	101½	+⅛	9.11
AMERICAN GENERAL 9 3/4 95	100	97½	99½	-⅛	10.42
AUSTRALIA 11 1/4 00	100	108¾	109¼	-⅛	9.92
AUSTRIA 8 1/2 00	400	95½	96	+⅛	9.21
BANK OF TOKYO 8 3/8 96	100	95½	96	+⅛	9.38
BELGIUM 9 1/8 92	400	100⅜	100¾	+⅛	8.90
BFCE 7 3/4 97	150	93⅛	93½	+⅛	9.16
BNP 8 5/8 94	300	98⅜	98⅝	+⅛	9.11
BP CAPITAL 9 5/8 93	150	100⅞	101⅛	+⅛	9.23
CANADA 9 96	1000	100⅛	100⅜	+⅛	8.86
CCCE 9 1/4 95	300	101	101⅜	+⅛	8.95
COUNCIL EUROPE 8 96	100	95	95½	+⅛	9.10
DENMARK 0 98	250	48⅝	49⅛		9.32
DENMARK 8 1/4 94	150	97⅛	97½	+⅛	9.11
ECSC 8 1/4 96	193	95¼	96⅛	+⅛	9.14
EEC 7 1/4 93	250	96⅛	96⅝		8.86
EIB 7 3/4 96	250	93⅞	94¼	+⅛	9.12
EIB 10 97	250	104⅜	104⅞	+⅛	9.12
ELEC DE FRANCE 9 98	200	99⅝	100	+⅛	9.06
EUROFIMA 9 1/4 96	100	101⅛	101⅜	+⅛	8.97
EXPORT DEV CORP 9 1/2 98	150	101½	102	+⅛	9.20
FINLAND 7 7/8 97	200	92⅝	93⅛	-⅛	9.47
FINNISH EXPORT 9 3/8 95	200	101⅛	101½		9.08
FORD MOTOR CREDIT 9 1/2 93	300	100⅞	101¼	-⅛	9.19
GAZ DE FRANCE 12 1/4 93	175	104½	105	+1	10.30
GEN ELEC CAPITAL 9 3/8 96	300	101⅜	101⅞	+⅛	9.06
GMAC 9 1/8 96	200	99⅜	99⅞	+⅛	9.25
HALIFAX 9 1/2 93	200	100½	101	-⅛	9.29
IBM WORLD TRADE 7 5/8 93	150	95⅛	95⅝	-⅛	9.34
IND BK JAPAN FIN 7 7/8 97	200	92⅝	93⅛	-⅛	9.35
INTER AMER DEV 7 5/8 96	200	92⅝	93⅛	+⅛	9.20
ITALY 8 1/2 94	1500	98⅛	98⅜	+⅛	9.02
JAPAN DEV BK 8 94	150	96⅞	97⅜		8.98
KANSAI ELEC PWR 10 96	350	102⅞	103⅜	+⅛	9.31
LTCB 8 5/8 93	150	99	99½	+⅛	9.03
NEW ZEALAND 8 93	100	97⅛	97⅝	+⅛	9.10
NIPPON CRED BK 9 3/4 93	150	101⅛	101⅜		9.26
NIPPON TEL & TEL 9 3/8 95	200	101	101⅜	+⅛	9.08
NISSAN ACCEPT CORP 9 1/4 91	150	99⅝	100⅛	-⅛	9.58
OLYMPIA & YORK 8 1/4 96	435	89½	91½	-⅛	10.71
ONTARIO HYDRO 11 5/8 94	200	108⅜	109⅛	+1⅛	8.77
OSTER KONTROLLBANK 8 1/8 93	200	98⅛	98½		8.90
PRUDENTIAL RLTY SECS 0 99	365.216	46⅛	46⅞		9.42
QUEBEC HYDRO 9 3/4 98	150	104⅛	104⅝	+2⅛	8.98
QUEBEC PROV 9 98	200	100½	101	+2⅞	8.90
SAINSBURY 9 1/8 96	150	99	99½	+⅛	9.33
SAS 10 99	200	101⅝	102⅛		9.74
STATE BK STH AUST 9 1/4 93	100	99⅝	100⅛		9.32
SUMITOMO TST 7 3/4 91	100	98⅛	98⅜	+⅛	9.11
SWEDEN 8 1/8 94	150	97	98	+½	9.05
SWEDISH EXPORT 9 5/8 93	100	101⅝	102	+⅛	8.87
TOKYO METROPOLIS 8 1/4 96	200	95½	96		9.20
WORLD BANK 6 3/8 99	1500	96⅝	97		9.09
WORLD BANK 8 3/4 97	1500	99⅛	99½		9.10
XEROX CORPN 8 3/8 96	180	93⅝	95	+⅛	9.74

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ASIAN DEV BANK 8 94	200	96⅛	96½	+⅛	9.02
AUSTRIA 6 98	400	83½	83⅞		9.04
CNT 6 1/8 98	200	83⅛	83⅝	-⅛	9.10
CREDIT FONCIER 6 3/4 99	500	86½	86⅞	+⅛	9.04
DEUTSCHE BK FIN 5 5/8 96	750	85⅛	85½	+⅛	8.88
EEC 5 3/8 93	300	92⅛	92⅝	+⅛	9.00
EIB 6 1/8 96	300	87	87	+⅛	9.02
EIB 6 7/8 95	300	91⅛	91⅝	+⅛	9.01
EUROFIMA 6 1/4 98	400	84⅛	84⅝	+1⅛	9.12
FERRO DEL STAT 5 3/8 93	500	92⅛	92⅝	+⅛	8.90
IND BK JAPAN FIN 5 5/8 96	200	84⅛	84⅝	+⅛	9.11
INTER AMER DEV 7 1/4 99	300	89⅞	89⅞	+⅛	8.94
LUFTHANSA INT FIN 5 7/8 98	500	82⅛	82⅝	+⅛	9.04
QUEBEC HYDRO 6 3/4 99	300	85⅛	85⅝	+⅛	9.28
SWEDEN 6 1/8 98	300	84⅛	84⅝	+⅛	9.04
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

YEN STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

OTHER STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
COUNCIL EUROPE 7 94 LFr	600	92	93	+⅛	9.69
KREDIETCORP 7 93 LFr	1000	93	94	+⅛	9.71
WORLD BANK 8 96 LFr	1000	93	94		9.62
AMRO BANK 6 1/4 92 Fl	150	94	94½		9.49
DENMARK 8 1/2 91 Fl	100	99	99⅝		9.70
HEINEKEN 7 5/8 94 Fl	150	94⅛	95½		9.26
PHILIPS GLOEILAMPEN 5 3/4 92 Fl	150	94	94⅝		9.70
RABOBANK 5 3/4 93 Fl	150	91⅛	92½		9.37
WORLD BANK 6 1/4 91 Fl	100	97⅝	98⅛	-⅛	10.21
ALBERTA PROVINCE 10 92 C$	500	95⅛	96⅛		12.48
BCE INC 9 5/8 93 C$	300	92⅛	93⅛	-⅛	12.81
BELL CANADA 10 5/8 99 C$	150	93⅜	93⅞		11.85
BRITISH COLUMBIA 12 1/4 91 C$	100	101⅛	103⅛	+⅝	10.72
EIB 10 1/8 98 C$	130	91⅛	92	+⅛	11.85
FORD CREDIT CANADA 10 94 C$	100	92⅛	92⅝	-⅛	12.55
GENERAL ELECT CAP 10 1/4 93 C$	175	94⅛	94⅝	+⅛	12.47
MONTREAL TRUSTCO 8 1/2 92 C$	100	93	93½	+⅛	12.96
ONTARIO HYDRO 10 7/8 99 C$	500	94⅞	95⅛	-⅛	11.83
QUEBEC PROV 10 1/2 98 C$	200	92⅛	93	-⅛	11.93
ROYAL TRUSTCO 10 1/4 93 C$	100	94	94½		12.83
SWEDEN 9 3/4 93 C$	250	94⅛	95		12.12
AUSTRIA 7 3/8 93 Ecu	125	92	93⅛	-1⅛	10.87
CNT 7 3/8 93 Ecu	250	91	93	-1⅛	11.07
CREDIT LYONNAIS 9 96 Ecu	125	95⅛	95⅝	+⅛	10.10
DENMARK 7 5/8 96 Ecu	250	88½	89	+⅛	10.34
EEC 7 5/8 94 Ecu	200	92⅛	92⅝	+⅛	10.29
EIB 10 97 Ecu	500	99⅛	99⅝	+⅛	10.16
ITALY 10 3/4 00 Ecu	1000	103⅛	103⅝	+⅛	10.22
SWEDEN 7 1/2 93 Ecu	250	93⅛	93½	+⅛	9.97
BMW FINANCE 14 1/2 92 A$	100	100⅛	100⅝		14.23
COUNCIL EUROPE 13 93 A$	50	98⅞	99⅜	+⅛	13.44
EKSPORTFINANS 12 3/8 95 A$	75	93⅞	94⅜	+⅛	14.17
FORD CRED AUST 13 93 A$	50	96½	97		14.58
HEINZ 12 3/4 91 A$	100	97⅞	98⅛		15.51
ICI 15 1/2 92 A$	100	101⅛	102⅛	+⅛	14.42
NAT AUSTRALIA BANK 14 3/4 94 A$	150	100½	101	+⅛	14.48
STATE BK NSW 14 1/4 99 A$	100	100⅛	100⅝	+⅛	14.17
VOLKSWAGEN INTL 15 94 A$	100	102⅞	103⅛	+⅛	13.96
BARCLAYS JERSEY 9 1/2 93 £	250	91⅛	91⅞		13.39
EIB 10 97 £	300	88½	89		12.64
FORD CREDIT FUNDING 9 5/8 93 £	50	90⅛	91⅛		13.80
INTER AMER DEV 11 3/8 95 £	75	95½	96		12.64
ITALY 10 1/2 14 £	400	87⅛	87½	-⅛	12.15
LAND SECS 9 1/2 07 £	200	74⅞	75⅛	-⅛	13.32
LEEDS PERMANENT 9 1/4 93 £	50	90⅜	90⅞	-⅛	13.45
NORWAY 10 1/2 94 £	200	93	93½	-⅛	12.99
ROLLS-ROYCE 9 5/8 93 £	150	90⅛	90⅝	-⅛	13.87
SAINSBURY 10 7/8 93 £	100	93⅞	94⅜		13.83
WORLD BANK 11 1/4 95 £	100	95⅛	95⅞	+⅛	12.55
ABBEY NATIONAL 0 96 NZ$	100	42⅞	43⅛	-⅛	14.77
TELECOM NZ O/S FIN 13 1/8 93 NZ$	75	98⅞	99⅜		13.57
AIDC 7 7/8 93 FFr	600	91⅛	92⅛	-1⅛	11.01
DENMARK 8 1/8 91 FFr	1000	97⅞	98⅛	+⅛	9.90
EURATOM 7 5/8 98 FFr	500	85⅞	86⅛		10.30

FLOATING RATE NOTES	Issued	Bid	Offer	C.cpn
ABBEY NATIONAL 1/16 00 £	150	99.95	100.00	15.3125
ALBERTA PROVINCE 1/32 93	500	99.88	99.98	8.4063
ALLIANCE & LEICS 0.08 94 £	300	99.88	99.93	15.3300
BANCO DI NAPOLI INT 91	150	99.97	100.07	8.8750
BANCO ROMA 0.03 01	200	96.00	96.25	8.4675
BELGIUM 1/16 97 DM	500	100.03	100.08	8.9375
BFCE -0.02 96	350	99.82	99.92	8.4175
BNP 05	300	98.73	98.83	8.3750
BRITANNIA 1/10 96 £	150	99.92	99.97	15.3500
CITICORP 1/4 98	500	96.13	96.63	8.5625
CITIZENS FED 0.15 96	100	98.63	99.63	8.7125
COMMERZBK O/S FIN 93	200	99.60	99.70	8.3125
DENMARK -1/8 96	1000	99.12	99.22	8.1875
FERRO DEL STAT 94	200	100.26	100.36	8.4375
HALIFAX 1/10 94 £	200	100.08	100.13	15.3500
MITSUI FIN ASIA 1/8 96	100	99.90	100.01	8.5625
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CONVERTIBLE BONDS	Issued	Conv. price	Bid	Offer	Chg. day	Prem.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

* No information available - previous day's price
† Only one market maker supplied a price

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day=Change on day.
FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread=Margin above six-month offered rate (three-month highest above mean rate) for US dollars. C.cpn=The current coupon.
CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

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FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Monday July 2, 1990. In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

COUNTRY	£ STG	US $	D-MARK	YEN (X 100)
Afghanistan (Afghani)	99.25	56.2801	33.9316	37.2071
Albania (Lek)	10.1863	5.7761	3.4824	3.8186
Algeria (Dinar)	14.8915	8.4442	5.0911	5.5825
Andorra (Fr Fr)	9.8100	5.5628	3.3538	3.6776
(Sp Peseta)	179.25	101.6444	61.2820	67.1977
Angola (Kwanza)	51.8200	29.9180	17.7162	19.4264
Antigua (E Carr $)	4.7466	2.6915	1.6227	1.7794
Argentina (Austral)	8795.00	4987.2412	3006.8376	3297.0946
Aruba (Florin)	3.1468	1.7844	1.0758	1.1796
Australia (Aus $)	2.2090	1.2526	0.7552	0.8281
Austria (Schilling)	20.5205	11.6362	7.0155	7.6927
Azores (Port Escudo)	256.43	145.4096	87.6683	96.1312
Bahamas (Bahama $)	1.7635	1	0.6029	0.6611
Bahrain (Dinar)	0.6613	0.3749	0.2260	0.2479
Balearic Is (Sp Peseta)	179.25	101.6444	61.2820	67.1977
Bangladesh (Taka)	60.00	34.0232	20.5128	22.4929
Barbados (Barb $)	3.5359	2.0050	1.2088	1.3255
Belgium (Belg Fr)	60.05	34.0516	20.5299	22.5117
Belize (B $)	3.5160	1.9937	1.2020	1.3180
Benin (CFA Fr)	490.50	278.1400	167.6923	183.8800
Bermuda (Bermudian $)	1.7635	1	0.6029	0.6611
Bhutan (Ngultrum)	31.00	17.5786	10.5982	11.6213
Bolivia (Boliviano)	5.5289	3.1351	1.8902	2.0726
Botswana (Pula)	3.2450	1.8400	1.1094	1.2164
Brazil (Cruzado)	97.2728	55.1589	33.2556	36.4659
British Virgin Is (US $)	1.7635	1	0.6029	0.6611
Brunei (Brunei $)	3.2248	1.8286	1.1024	1.2089
Bulgaria (Lev)	5.0340	2.8545	1.7210	1.8871
Burkino Faso (CFA Fr)	490.50	278.1400	167.6923	183.8800
Burma (Kyat)	10.7780	6.1117	3.6847	4.0404
Burundi (Burundi Fr)	302.2045	171.3663	103.3177	113.2912
Cambodia (Riel)	384.44u	218	131.4324	144.1199
Cameroon (CFA Fr)	490.50	278.1400	167.6923	183.8800
Canada (Canadian $)	2.0470	1.1607	0.6998	0.7673
Canary Is (Sp Peseta)	179.25	101.6444	61.2820	67.1977
Cp. Verde (CV Escudo)	128.105	72.6424	43.7965	48.0243
Cayman Is (CI $)	1.4591u	0.8300	0.4988	0.5469
Cent.Afr. Rep (CFA Fr)	490.50	278.1400	167.6923	183.8800
Chad (CFA Fr)	490.50	278.1400	167.6923	183.8800
Chile (Chilean Peso)	537.06	304.5421	183.6102	201.3345
China (Renminbi Yuan)	8.1834	4.6404	2.7977	3.0678
Colombia (Col Peso)	864.72	490.3430	295.6307	324.1686
Comoros (CFA Fr)	490.50	278.1400	167.6923	183.8800
Congo (Brazz) (CFA Fr)	490.50	278.1400	167.6923	183.8800
Costa Rica (Colon)	158.9759	90.1479	54.3507	59.5973
Côte d'Ivoire (CFA Fr)	490.50	278.1400	167.6923	183.8800
Cuba (Cuban Peso)	1.4008	0.7943	0.4789	0.5251
Cyprus (Cyprus £)	0.8110	0.4598	0.2772	0.3040
Czechoslovakia (Koruna)	28.46c	16.1383	9.7299	10.6691
	48.00t	27.2185	16.4102	17.9943
Denmark (Danish Kroner)	11.1100	6.2999	3.7982	4.1649
Djibouti Rep (Djib Fr)	303.00	171.8174	103.5897	113.5895
Dominica (E Carrib $)	4.7466	2.6915	1.6227	1.7794
Dominican Rep (D Peso)	18.3052	10.3800	6.2581	6.8623
Ecuador (Sucre)	1643.58o	931.9988	561.9076	616.1499
	1312.27a	744.1281	448.6393	491.9475
Egypt (Egyptian £)	4.7800	2.7105	1.6341	1.7919
El Salvador (Colon)	11.1749	6.3367	3.8204	4.1892
Equat'l Guinea (CFA Fr)	490.50	278.1400	167.6923	183.8800
Ethiopia (Ethiopian Birr)	3.6133	2.0489	1.2353	1.3545
Falkland Is (Falk £)	1.00	0.5670	0.3418	0.3748
Faroe Is (Danish Kroner)	11.1100	6.2999	3.7982	4.1649
Fiji Is (Fiji $)	2.6297	1.4911	0.8990	0.9858
Finland (Markka)	6.8318	3.8740	2.3356	2.5611
France (Fr)	9.8100	5.5628	3.3538	3.6776
Fr. Cty/Africa (CFA Fr)	490.50	278.1400	167.6923	183.8800
Fr. Guiana (Local Fr)	9.8100	5.5628	3.3538	3.6776
Fr. Pacific Is (CFP Fr)	173.00	98.1003	59.1452	64.8547
Gabon (CFA Fr)	490.50	278.1400	167.6923	183.8800
Gambia (Dalasi)	14.8301	8.4094	5.0701	5.5595
Germany East (DMark)	2.9250	1.6586	1	1.0965
Germany West (DMark)	2.9250	1.6586	1	1.0965
Ghana (Cedi)	570.00	323.2208	194.8717	213.6832
Gibraltar (Gib £)	1.00	0.5670	0.3418	0.3748
Greece (Drachma)	284.50	161.3269	97.2649	106.6541
Greenland (Danish Krone)	11.1100	6.2999	3.7982	4.1649
Grenada (E Carr $)	4.7466	2.6915	1.6227	1.7794
Guadaloupe (Local Fr)	9.8100	5.5628	3.3538	3.6776
Guam (US $)	1.7635	1	0.6029	0.6611
Guatemala (Quetzal)	6.9041	3.9149	2.3603	2.5882
Guinea (Fr)	527.40	299.0643	180.3076	197.7132
Guinea-Bissau (Peso)	1142.70u	650	390.6666	428.3786
Guyana (Guyanese $)	78.0350u♦	45	26.6786	29.2539
Haiti (Goude)	8.7900u	5	3.0051	3.2952
Honduras (Lempira)	7.7785u	4.4250	2.6593	2.9160
Hong Kong (HK $)	13.6975	7.7672	4.6829	5.1349
Hungary (Forint)	112.0271	63.5254	38.2998	41.9970
Iceland (Icelandic Krona)	104.10	59.0303	35.5897	39.0253
India (Indian Rupee)	31.00	17.5786	10.5982	11.6213
Indonesia (Rupiah)	3225.32	1828.9311	1102.6735	1209.1171
Iran (Rial)	121.40	68.8403	41.5042	45.5107
Iraq (Iraqi Dinar)	0.5437	0.3083	0.1858	0.2038
Irish Rep (Punt)	1.0880	0.6169	0.3719	0.4078
Israel (Shekel)	3.6770♦	2.0850	1.2570	1.3784
Italy (Lira)	2146.25	1217.0399	733.7606	804.5923
Jamaica (Jamaican $)	11.9875	6.7975	4.0982	4.4939
Japan (Yen)	266.75	151.2616	91.1965	100
Jordan (Jordanian Dinar)	1.1626	0.6592	0.3974	0.4358
Kenya (Kenya Shilling)	40.10	22.7388	13.7094	15.0328
Kiribati (Australian $)	2.2090	1.2526	0.7552	0.8281
Korea North (Won)	1.7053	0.9669	0.5830	0.6392
Korea South (Won)	1249.425	708.4916	427.1538	468.3880
Kuwait (Kuwaiti Dinar)	0.51290	0.2908	0.1753	0.1922
Laos (New Kip)	1265.76	717.7544	432.7384	474.5117
Lebanon (Lebanese £)	1157.50	656.3651	395.7264	433.9268
Lesotho (Maluti)	4.6568	2.6406	1.5920	1.7457
Liberia (Liberian $)	1.7635	1	0.6029	0.6611
Libya (Libyan Dinar)	0.5098	0.2890	0.1742	0.1911
Liechenstein (Swiss Fr)	2.4750	1.4034	0.8461	0.9278
Luxembourg (Lux Fr)	60.05	34.0516	20.5299	22.5117
Macao (Pataca)	14.1435	8.0201	4.8353	5.3021
Madeira (Port Escudo)	256.43	145.4096	87.6683	96.1312
Malagasy Rep (MG Fr)	2244.25	1272.6112	767.2649	841.3308
Malawi (Kwacha)	4.8800	2.7672	1.6683	1.8294
Malaysia (Ringgit)	4.7598	2.6990	1.6272	1.7843
Maldive Is (Rufiya)	16.5498	9.3846	5.6580	6.2042
Mali Rep (CFA Fr)	490.50	278.1400	167.6923	183.8800
Malta (Maltese £)	0.5625	0.3189	0.1923	0.2108
Martinique (Local Fr)	9.8100	5.5628	3.3538	3.6776
Mauritania (Ouguiya)	145.7909	82.6713	49.8430	54.6545
Mauritius (Maur Rupee)	26.55	15.0552	9.0769	9.9531
Mexico (Mexican Peso)	5035.13a	2855.1913	1721.4119	1887.5838
	4944.55d	2803.8276	1690.4444	1853.6269
Miquelon (Local Fr)	9.8100	5.5628	3.3538	3.6776
Monaco (French Fr)	9.8100	5.5628	3.3538	3.6776
Mongolia (Tugrik)	5.8990u	3.3555	2.0167	2.2114
Montserrat (E Carr $)	4.7466	2.6915	1.6227	1.7794
Morocco (Dirham)	15.1327	8.5810	5.1735	5.6729
Mozambique (Metical)	1656.72	939.4499	566.4000	621.0759
Namibia (S A Rand)	4.6568	2.6406	1.5920	1.7457
Nauru Is (Australian $)	2.2090	1.2526	0.7552	0.8281
Nepal (Nepalese Rupee)	51.0488	28.9474	17.4525	19.1373
Netherlands (Guilder)	3.2900	1.8656	1.1247	1.2333
N'nd Antilles (A/Guilder)	3.1468u	1.7900	1.0758	1.1796
New Zealand (NZ $)	2.9773	1.6882	1.0178	1.1161
Nicaragua (Cordoba)	562560.00	319001.985	192328.205	210894.096
Niger Rep (CFA Fr)	490.50	278.1400	167.6923	183.8800
Nigeria (Naira)	13.8530	7.8554	4.7360	5.1932
Norway (Nor. Krone)	11.225	6.3651	3.8376	4.2080
Oman (Rial Omani)	0.6753	0.3829	0.2308	0.2531
Pakistan (Pak. Rupee)	38.00	21.5480	12.9914	14.2455
Panama (Balboa)	1.7635	1	0.6029	0.6611
Papua New Guinea (Kina)	1.6855	0.9557	0.5762	0.6318
Paraguay (Guarani)	2185.54	1239.3195	747.1931	819.3214
Peru (Inti)	59280.74	33615.3898	20266.9196	22223.3327
Philippines (Peso)	40.00	22.6821	13.6752	14.9953
Pitcairn Is (£ Sterling)	1.00	0.5670	0.3418	0.3748
(NZ $)	2.9773	1.6882	1.0178	1.1161
Poland (Zloty)	16450.00	9328.0408	5623.9316	6166.8228
Portugal (Escudo)	256.43	145.4096	87.6683	96.1312
Puerto Rico (US $)	1.7635	1	0.6029	0.6611
Qatar (Riyal)	6.3863	3.6213	2.1833	2.3941
Reunion Is. de la (F/Fr)	9.8100	5.5628	3.3538	3.6776
Romania (Leu)	35.291	20.0113	12.0649	13.2296
Rwanda (Fr)	132.61	75.1970	45.3367	49.7132
St Christopher (E Carr $)	4.7466	2.6915	1.6227	1.7794
St Helena (£)	1.00	0.5670	0.3418	0.3748
St Lucia (E Carr $)	4.7466	2.6915	1.6227	1.7794
St Pierre (French Fr)	9.8100	5.5628	3.3538	3.6776
St Vincent (E Carr $)	4.7466	2.6915	1.6227	1.7794
San Marino (Italian Lira)	2146.25	1217.0399	733.7606	804.5923
Sao Tome (Dobra)	183.459	104.0311	62.7210	68.7756
Saudi Arabia (Riyal)	6.5778	3.7299	2.2488	2.4659
Senegal (CFA Fr)	490.50	278.1400	167.6923	183.8800
Seychelles (Rupee)	9.40	5.3303	3.2136	3.5238
Sierra Leone (Leone)	278.80	158.0946	95.3162	104.5173
Singapore ($)	3.2248	1.8286	1.1024	1.2089
Solomon Is ($)	4.4243	2.5088	1.5125	1.6585
Somali Rep (Shilling)	720.78	408.7212	246.4205	270.2080
South Africa (Rand)	4.6568c	2.6406	1.5920	1.7457
	7.2228g	4.0957	2.4693	2.7077
Spain (Peseta)	179.25	101.6444	61.2820	67.1977
Spanish Ports in N Africa (Sp Peseta)	179.25	101.6444	61.2820	67.1977
Sri Lanka (Rupee)	70.00	39.6937	23.9316	26.2417
Sudan Rep (£)	20.1291	11.4142	6.8817	7.5460
Surinam (Guilder)	3.1380	1.7794	1.0728	1.1763
Swaziland (Lilangeni)	4.6568	2.6406	1.5920	1.7457
Sweden (Krona)	10.5900	6.0051	3.6205	3.9700
Switzerland (Fr)	2.4750	1.4034	0.8461	0.9278
Syria (£)	36.918u	21	12.6215	13.8399
Taiwan ($)	47.125	26.7224	16.1111	17.6663
Tanzania (Shilling)	337.55	191.4091	115.4017	126.5417
Thailand (Baht)	45.00	25.5174	15.3846	16.8697
Togo Rep (CFA Fr)	490.50	278.1400	167.6923	183.8800
Tonga Is (Pa Anga)	2.2090	1.2526	0.7552	0.8281
Trinidad/Tobago ($)	7.4715	4.2367	2.5543	2.8009
Tunisia (Dinar)	1.5649	0.8873	0.5350	0.5866
Turkey (Lira)	4632.95	2627.1335	1583.9145	1736.8134
Turks & Caicos (US $)	1.7635	1	0.6029	0.6611
Tuvalu (Australian $)	2.2090	1.2526	0.7552	0.8281
Uganda (New Shilling)	700.58	397.2667	239.5145	262.6354
U A E (Dirham)	6.4415	3.6526	2.2022	2.4148
United Kingdom (£)	1.00	0.5670	0.3418	0.3748
United States (US $)	1.7635	1	0.6029	0.6611
Uruguay (Peso)	2028.37	1150.1956	693.4598	760.4011
USSR (Rouble)	1.0235	0.5803	0.3499	0.3836
Vanuatu (Vatu)	208.50	118.2307	71.2820	78.1630
Vatican (Lira)	2146.25	1217.0399	733.7606	804.5923
Venezuela (Bolivar)	85.2357	48.3332	29.1404	31.9534
Vietnam (Dong)	7911.00	4485.9654	2704.6153	2965.6982
Virgin Is-British (US $)	1.7635	1	0.6029	0.6611
Virgin Is-US (US $)	1.7635	1	0.6029	0.6611
Western Samoa (Tala)	4.1388	2.3469	1.4149	1.5515
Yemen (Rial)	21.096	11.9625	7.2123	7.9085
Yemen PDR (Dinar)	0.8113a	0.4610	0.2773	0.3041
Yugoslavia (Dinar)	20.3458	11.5371	6.9558	7.6272
Zaire Rep (Zaire)	1005.90	570.3997	343.8974	377.0946
Zambia (Kwacha)	68.40	38.7865	23.3846	25.6419
Zimbabwe ($)	4.3210	2.4502	1.4772	1.6198

Special Drawing Rights June 28, 1990 United Kingdom £0.762050 United States $1.32231 Germany West D Mark 2.20495 Japan Yen204.099 European Currency Unit Rates July 2, 1990 United Kingdom £0.709315 United States $1.24662 Germany West D Mark 2.06253 Japan Yen188.551

Abbreviations: (a) Free rate; (b) Banknote rate; (c) Commercial rate; (d) Controlled rate; (e) Essential imports; (g) Financial rate; (h) Exports; (i) Non commercial rate; (j) Business rate; (k) Buying rate; (l) Luxury goods; (m) Market rate; (o) Official rate; (p) preferential rate; (q) convertible rate; (r) parallel rate; (s) Selling rate; (t) Tourist rate (u) Currencies fixed against the US Dollar; ♦Guyana, 18 June 1990, Dollar devalued by approx. 36pc. ♦ Israel, 25 June 1990, Shekel devalued by approx 1.3823pc

Some data supplied by Bank of America, Economics Department, London Trading Centre. Enquiries: 071 634 4360/5. Monday July 2, 1990

TRADE INDEMNITY PLC 071-739 4311

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NOTICE TO HOLDERS OF

Republic of Indonesia

Floating Rate Notes Due 1993

NOTICE IS HEREBY GIVEN that, pursuant to the terms and conditions of the Floating Rate Notes Due 1993 (the "Notes") of the Republic of Indonesia ("Indonesia"), Indonesia will, at the option of the holder of any of the Notes, redeem on October 11, 1990 (the "Redemption Date") [illegible]

The Chase Manhattan Bank, N.A.
1 New York Plaza — 14th Floor
Box 2020
Corporate Bond Redemptions
New York, New York 10081

The Chase Manhattan Bank, N.A.
London Branch
Woolgate House, Coleman Street
London EC2P 2HD England

Chase Manhattan Bank Luxembourg S.A.
5 Rue Plaetis
L-2338, Luxembourg Grund

Bank Brussels Lambert, S.A.
Avenue Marnix, 24
1050 Brussels, Belgium

Chase Manhattan Bank (Switzerland)
63 Rue du Rhone
1204 Geneva, Switzerland

Coupons due October 11, 1990 should be detached and surrendered for payment in the usual manner.

[illegible]

REPUBLIC OF INDONESIA
By: THE CHASE MANHATTAN BANK (National Association), as Fiscal Agent

Notice of an Extraordinary General Meeting of the Shareholders of

WCRS (Netherlands Antilles) Finance N.V.

NOTICE IS HEREBY GIVEN to the Shareholders of WCRS (Netherlands Antilles) Finance N.V. (the "Company"), a corporation organized and existing under the laws of the Netherlands Antilles, that an Extraordinary General Meeting of Shareholders will be held on July 25, 1990, at 10.00 a.m., at the Company's registered office located at Polarisweg 35, Curaçao, Netherlands Antilles.

The agenda of the meeting will be to consider and approve an amendment to Article 1 of the Articles of Incorporation of the Company to the effect that the name of the Company shall read "Aegis (Netherlands Antilles) Finance N.V."

WCRS (Netherlands Antilles) Finance N.V.

This announcement appears as a matter of record only.

BMB

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$125,000,000
364 Day Renewable Term Loan

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Continental Bank, N.A.
The Gulf Bank (K.S.C.) - Kuwait
Lloyds Bank plc
Oesterreichische Laenderbank AG, Vienna
Security Pacific National Bank
Standard Chartered Bank
Westpac Banking Corporation

Co-Lead Managed By:
Bank of Bahrain and Kuwait (BSC)
Banque Internationale de Commerce
Barclays Bank plc
Foreningsbankernas Bank
Girozentrale und Bank der Oesterreichischen Sparkassen AG
Kreditbank NV
Postipankki Ltd

Managed By:
ASLK-CGER Bank
Banco Ambrosiano Veneto SPA, Italy
Banco Atlantico SA
Banco Espirito Santo e Comercial de Lisboa (London Branch)
Banco Fonsecas & Burnay, Macau Off-Shore Branch
Bikuben
Crédit Agricole
Die Erste Oesterreichische Spar-Casse-Bank - First Austrian Bank
Middle East Bank Ltd
PSK Bank, der Oesterreichischen Postsparkasse, AG
Westdeutsche Landesbank AG

June 1990

Structured and Arranged By:

Continental Bank

CAMBRIDGE

The Financial Times proposes to publish this survey on:

2nd November 1990

For a full editorial synopsis and advertisement details, please contact either

Clive Booth on 071 873 4152

or Amanda Francis on 071 873 3553

or write to:

Number One
Southwark Bridge
London
SE1 9HL

FINANCIAL TIMES
EUROPE'S BUSINESS NEWSPAPER

DUTY FREE INDUSTRY

The Financial Times proposes to publish this survey on:

20th September 1990

For a full editorial synopsis and advertisement details, please contact

JONATHAN WALLIS on 071 873 3565

or write to him at:

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Southwark Bridge
London
SE1 9HL

FINANCIAL TIMES
EUROPE'S BUSINESS NEWSPAPER

DEN DANSKE BANK

US$100,000,000
Subordinated floating rate notes due 2000

(Issued by and in the name of Copenhagen Handelsbank A/S)

In accordance with the provisions of the notes notice is hereby given that for the six months interest period from 29 June 1990 to 31 December 1990 the notes will carry an interest rate of 8 9/16% per annum. The interest payable on the relevant interest payment date, 31 December 1990 will amount to US$436.81 per US$10,000 note and US$10,920.14 per US$250,000 note.

Agent: Morgan Guaranty Trust Company

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INTERNATIONAL CAPITAL MARKETS

Supervisors warn French banks on buy-out debts

By George Graham in Paris

FRANCE'S banking supervisors have issued a warning about the dangers of leveraged transactions and have urged banks to limit their exposure to these deals in line with their capital bases.

The Banking Commission said the 11 largest French banks involved in leveraged buy-outs and buy-ins had an exposure of FFr69.6bn, little more than a third of the exposure of the 11 largest US commercial banks, and 90 per cent of it was in the form of senior debt, more secure than subordinated debt or capital.

Nevertheless, the commission warned the risks were spread over a small number of deals, and no more than 2.4 per cent of the exposure was provisioned. "Without casting a general doubt on these operations, whose justification is the responsibility of the individual establishments and which can prove highly profitable, it seems appropriate to draw attention to the nature and size of their exposure," the commission said in its annual report.

The report says exposure to leveraged deals represented an average of 30 per cent of each bank's capital, and two banks had committed 50 per cent of their capital base.

The commission's study follows mounting concern in the US and elsewhere over the risks run by banks which have taken part in buy-outs financed by junk bonds, subordinated debt or varieties of complex mezzanine finance, several of which are now having difficulty servicing their debts.

It says that of the buy-outs which are now causing concern, the largest is Lignotock in West Germany, to which a single French bank is exposed, followed by Southland and Allied Stores in the US.

Mr Philippe Lagayette, the commission's chairman, said that French banks had now improved their country risk provisions to cover an average of around 50 per cent of their exposure, and that there was now justification for stopping at this rate of cover.

He urged the tax authorities to rethink their rules on bad debt provisions, which make it fiscally difficult for banks to provision more than 60 per cent of their exposure. He added that at the end of 1989, the 16 largest French banks had capital covering 8.7 per cent of their weighted risks, using the Cooke capital ratios which members of the Bank for International Settlements have agreed to introduce.

Italian and Spanish bonds perform well in index

By Deborah Hargreaves

THE ITALIAN and Spanish bond markets offered global investors the highest returns and the lowest risk in the first half this year, according to J.P. Morgan's index of government bond performance. In local currency, the two markets offered returns of 8.63 and 7.38 per cent respectively.

The investment bank's Government Bond Index Monitor, which calculates return based on price and accrued interest on a portfolio of bonds, showed that global bond markets enjoyed their best quarter in the second quarter of this year since the last quarter of 1987.

The Japanese Government fixed income market was the poorest performer in the first six months when it experienced a negative return of 3.18 per cent.

When measured in US dollar terms, all markets except for Germany outpaced US Treasuries with the UK gilts market showing a return of 13.73 per cent for the first half. Belgium led the performance for other D-Mark bloc markets in local currency and US dollar terms, while Australia continued to look strong.

South West Water in finance lease deal

By Stephen Fidler, Euromarkets Correspondent

SOUTH West Water, one of the UK water companies privatised last year, said yesterday it had completed a £150m finance leasing facility.

A number of similar financings are expected to be announced in coming weeks by other water companies.

The financing provides 25-year funds for South West and can be drawn down over a three-year period. South West currently has cash in hand but it is embarking on a 10-year capital spending programme of £1.4bn for which it expects to need the financing.

The financing was with Barclays Mercantile Business Finance and arranged by Babcock and Brown, the UK company which leads the lease brokerage business. A spokesman for Babcock and Brown said it was arranging similar financings for other UK water companies which should be completed by the end of the month.

The advantage to borrowers of leasing is that it is flexible and, because of associated tax advantages, provides funding at rates significantly below London inter-bank offered rates.

Water companies had been expected to be significant borrowers in the fixed-rate sterling bond market. But a spokesman for South West, while not ruling out future bond market borrowings, said the bond market was not a favourable source of financing for now.

EIB eases loans to East Germany

GOVERNORS of the European Investment Bank (EIB), the European Community's financing arm, have given the go-ahead for the bank to extend its lending to East Germany, Reuter reports.

Unlike loans to Poland and Hungary, which have an Ecu1bn ceiling, EIB lending to East Germany will be on the same terms and conditions as to EC member states.

Santiago's high-flyers turn to Wall Street

Leslie Crawford finds Chile becoming too small for fast-expanding industrial groups

Chile has suddenly become too small for its leading industrial groups. After six years of strong profits growth, the top private sector companies are turning to Wall Street in the search for foreign partners and cash to finance expansion projects.

At least seven Chilean companies are known to be considering trading American depositary receipts (ADRs). Compania de Telefonos de Chile (CTC) will be the first to take the plunge when it launches $110m worth of ADRs on the New York Stock Exchange later this month. The Chilean telecommunications company, which is 49 per cent owned by Telefonica of Spain, will be the first South American company to list on the NYSE in 27 years.

CTC is opting to place new shares, or level three ADRs, because its investment needs are urgent. The company has a $2bn expansion plan through to 1996 which aims to double Chile's 600,000 telephone lines and increase its facsimile, cellular and data transmission services.

The shares will be offered in the US and Europe, and CTC officials are shortly due to start a road show to canvass potential investors.

Other Chilean companies are adopting a more cautious approach. The costs of launching an unknown, Latin American company directly on to the NYSE, particularly with regard to underwriting fees, are very high. But even for those companies which do not need to raise capital immediately, ADRs hold numerous attractions.

Compania de Aceros del Pacifico (CAP), a steel company which has diversified into forestry and agribusiness since its privatisation in 1987, plans to float a small package of existing shares as ADRs in order to establish a presence in the US secondary capital markets. "Once our company becomes known among American investors, then we may consider a listing on the NYSE," said Mr Sergio Enriquez, CAP's treasurer.

However, the company's medium-term strategy is to use the NYSE as a launching pad to invest in steel-related companies in the US. The Chilean group is already holding talks with Japanese and European investors with a view to forming joint ventures in Argentina, and eventually in Central America.

For many Chilean economists, the incursion of leading domestic companies on to foreign bourses marks a second stage in the country's drive to compete internationally. "Chile has already completed the first stage, which was to export successfully," says Mr Luis Hernan Paul, an economics professor at the Catholic University of Santiago. "The next challenge will be to establish a presence in Chile's main export markets, either by acquiring, or entering into partnerships with foreign companies which buy Chilean goods."

This strategy is already being adopted by the second largest industrial holding in Chile, Compania Manufacturera de Papeles y Cartones (CMPC). CMPC is the country's leading pulp and paper manufacturer, whose exports totalled $250m last year. These are set to double when a new cellulose plant, built in association with Simpson Paper of the US, enters production at the end of 1991. "The key to the future," said Mr Ernesto Ayala, CMPC's president, "is to invest in paper manufacturing companies abroad so that they use our cellulose."

Mr Paul believes the most effective way for Chilean companies to become known abroad is to have their shares traded on the international stock markets. In addition to widening their shareholder base, the status conferred by a NYSE listing could eventually reopen the doors to commercial bank credits which have been shut tight since the Latin American debt crisis broke in 1982.

In one way, the task of acquainting foreign investors with Chilean companies began last year, when several "country funds" started operating on the Santiago Stock Exchange. There are now nine of these foreign investment funds, which have jointly channelled more than $300m into Chilean shares. Another two country funds were recently approved by the central bank. But if Chilean companies start issuing their own ADRs, then the foreign investor will be able to chose between the general country risk or shares in a specific company.

Chile's central bank is currently completing the necessary foreign exchange regulations to allow Chilean companies to operate with ADRs. Central bank officials say that those companies, like CTC, which apply for a listing on the NYSE to issue new shares will be given access to the official foreign exchange market to move dollars in and out of the country.

In this way, foreign investors will be protected from the volatility of the parallel market, which is legal in Chile except for operations involving foreign trade, investment and debt.

But to limit the impact of ADR transactions on its foreign exchange reserves, the central bank has decided that Chilean companies will not have access to official dollars for private share placements on the informal US market.

Eurobond issue lull ahead of US holiday

By Tracy Corrigan

THE primary Eurobond market experienced a lull due to holidays in Canada yesterday and the US tomorrow, in the run-up to Friday's US employment data, dealers said.

There were no signs of disruption as a result of German monetary union. D-Mark Eurobond prices followed bund prices higher, but were outperformed by Ecu bond prices, which gained about half a point. Dealers said that a couple of large accounts had taken positions in recent benchmark Ecu issues for Italy and France. In the wake of these latest issues, no sizeable deals are expected in the sector for several weeks. The European Investment Bank expects to raise a further Ecu2bn to Ecu3bn in the course of this year, an official said.

In otherwise subdued markets, Instituto de Credito Oficial, the Spanish financing institution which carries a statutory guarantee from the Government, brought a Y25bn issue of five-year bonds, which were widely considered to be too aggressively priced. The 7 per cent bonds, yielding 7.12 per cent, offered a four basis point pick-up over Denmark's Y40bn issue of five-year bonds, and a 15 basis point pick-up over the World Bank's 7¼ per cent five-year bonds. The mandate for this unswapped issue was won by IBJ International after a round of competitive bidding involving more than 15 banks, market sources said.

Dealers said there were few takers for the paper. Japanese investors are currently looking for coupons above the 7 per cent level. While some European accounts are buying Euroyen paper, it is mainly because their portfolios are underweight, so they prefer to buy the longer end, one dealer added. However, IBJ supported the issue on full fees at less 1⅝ bid.

Elsewhere, Lavoro Bank Overseas, a subsidiary of the Italian bank, brought a DM300m offering of floating-rate notes, via Trinkaus & Burkhardt. The five-year notes pay interest at the six-month London inter-bank offered rate.

INTERNATIONAL BONDS

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
OKOBANK♦	60	9⅞	102	1997	1⅞/1¼	Fuji Int. Fin.
D-MARKS						
Lavoro Bank Overseas NV‡♦	300	(a)	100	1995	20bp	Trinkaus & Burkhardt
IBJ Leasing Co★★♦	50	9⅞	101⅞	1995	-	IBJ Germany
SWISS FRANCS						
Voralberger Kraftwerke(b)★★♦	55	7	101¼	1995	-	Credit Suisse
YEN						
Instituto de Cred. Oficial♦	25bn	7	101⅞	1995	1⅞/1¼	IBJ Int.

♦Final terms. ‡Floating rate note. ★★Private placement. a)Paying a flat six-month Libor. b)Early call at borrowers option.

Austrian bank buys lease group stake

By David Lascelles, Banking Editor

Osterreichische Länderbank, the Austrian bank, has bought a controlling interest in Sovereign Leasing, one of Europe's largest privately-owned leasing companies.

Sovereign has assets of £350m and specialises in financing purchase of equipment by small companies. Details of the investment were not disclosed.

Mr Ben Brittain, general manager of OLB's London branch which made the investment, said it would bring an opportunity to develop throughout the UK. OLB already owns leasing companies in Austria and the US.

● Hungary plans to privatise 30 state enterprises and liquidate 35 others this year.

The moves will be part of a six-month "fast economic programme" designed to prepare the economy for a three-year plan to begin next January.

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

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EQUITY GROUPS & SUB-SECTIONS — Monday July 2 1990

[illegible]

FIXED INTEREST

[illegible]

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	1	76	22
Corporations, Dominion and Foreign Bonds	0	5	18
Industrials	297	316	960
Financial and Properties	161	116	460
Oils	22	26	40
Plantations	0	0	10
Mines	57	27	81
Others	38	94	103
Totals	576	660	1,694

LONDON RECENT ISSUES

EQUITIES

[illegible]

FIXED INTEREST STOCKS

[illegible]

RIGHTS OFFERS

[illegible]

... previous year's earnings. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1990-91. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1990. N Dividend and yield based on prospectus or other official estimates for 1989/90. Q Gross. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. ▼ Issued by tender. ♦ Offered to holders of ordinary shares as a "rights". † Introduction. ‡ Placing price. †† Reintroduction. ♣ Unlisted securities market. * Third Market. β Units comprising 11 new ord. & 2 warrants. ♦ Issued in connection with reorganisation, merger or takeover.

TRADITIONAL OPTIONS

● First Dealings July 2
● Last Dealings July 13
● Last Declarations Oct. 4
● For settlement Oct. 15

For rate indications see end of London Share Service

Calls in Countryside Props., Gaelic Res., Hibernian, Monument Oil & Gas, Oliver Res. and Vickers. Puts in Alfred McAlpine and Speyhawk.

LONDON TRADED OPTIONS

LONDON'S derivative markets were quiet yesterday as dealers recovered from Friday's hectic session when confusion reigned during the expiry of June FT-SE 100 index contracts. The lack of business on the cash market also kept trading volumes to a minimum and produced a thin day. Dealers were focusing on the announcements regarding the merger of the options and futures markets.

Trading got off to a slow start but by mid-morning the futures market was making a determined effort to pull ahead of its underlying equivalent. September FT-SE index premium over the cash market extended to 75 points at one stage and helped spark off a recovery in the stock market.

But at the first sign that some investors were selling stock, futures prices backed off, only to spend the rest of the day locked in a narrow range. However, towards the close of the session a squeeze developed and the market moved back up to a 70-point premium. September FT-SE closed at 2,441.0, down 5 from Friday, having traded just 2,941 contracts.

In traded options dealing was slow with few incentives for investors to become exposed to the market. The advent of German monetary union and talk that US interest rates could be reduced put the spotlight on overseas equity markets.

A total of 13,241 options changed hands, less than half of Friday's turnover. Yesterday's total was comprised of 8,364 calls and 4,877 puts. Among the FT-SE options, turnover, at 3,467 lots, was also down by over a half. The July 2,400 puts were the busiest FT-SE series, trading 431. Yesterday's total was divided between 1,359 calls and 2,108 puts. Among the stock options, Rolls-Royce was the busiest. A total of 1,577 changed hands and was divided between 1,277 calls and 300 puts. The September 160 calls, at 925 lots, were the busiest. Other active options included GEC, which traded 1,242; Hanson 885 contracts; Euro-FT-SE 724; and Sears 871.

Option		Calls Jul	Calls Oct	Calls Jan	Puts Jul	Puts Oct	Puts Jan
Allied Lyons (*503)	500	15	43	54	10	20	26
	550	2½	18	31	51	51	53
	600	1	7	18	101	101	10
ASDA (*114)	110	8	13	17	3	7½	9½
	120	4	8	12	8	13	15

[illegible]

UK COMPANY NEWS

Chairman warns of foreign threat to UK brewing industry
S&N advances 33% to £183m

By Andrew Hill

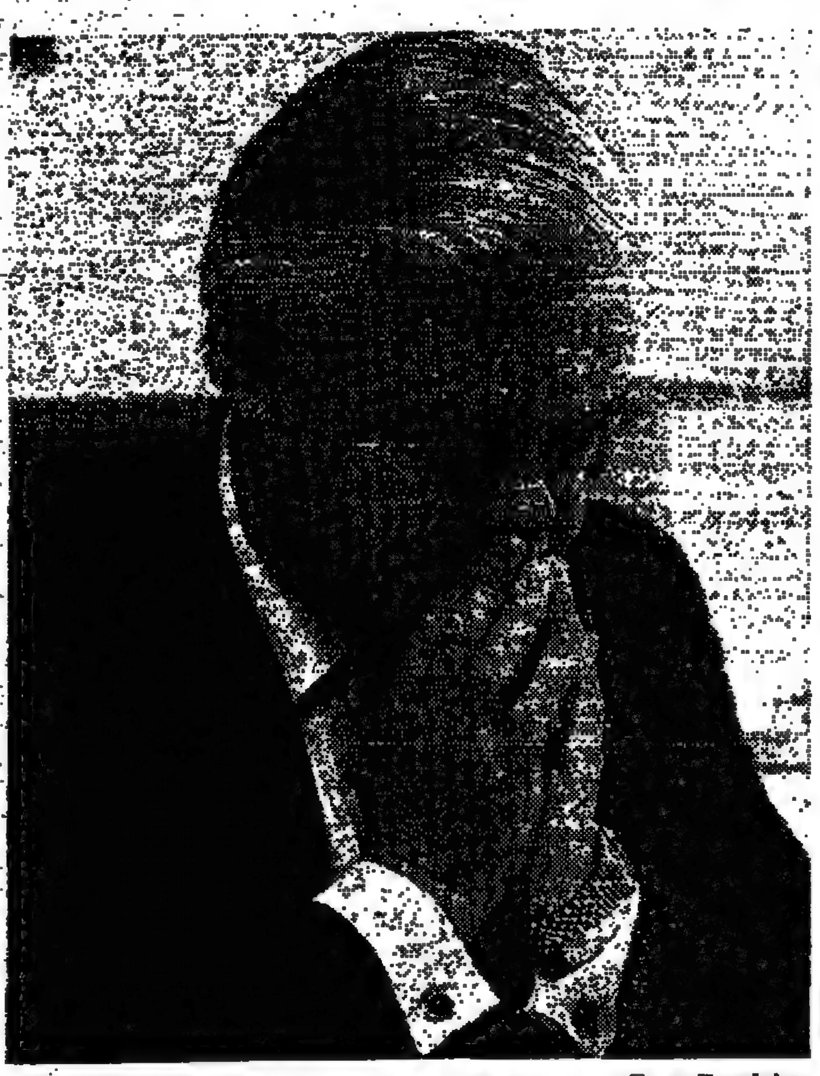
MR ALICK RANKIN, chairman and chief executive of Scottish & Newcastle Breweries, yesterday warned that restrictions on expansion in the British brewing industry might allow non-UK companies to buy into the sector on a large scale.

Mr Rankin was announcing a 33 per cent increase in profits at the brewing and leisure company. It made £183m before tax in the year to April 29, compared with £138m in the previous 12 months.

Referring to recent investigations into the brewing industry by the Monopolies and Mergers Commission, Mr Rankin said: "What we want to see is an industry which is allowed freer rein to manage its own affairs in the face of the single European market, where major players are allowed to be very dominant. The chances are that in future the big players in the UK will have to be foreigners."

Mr Rankin said S&N would probably not be able to add to its market share in the UK of just over 11 per cent because of the restrictions. Brewers are awaiting the MMC's report into a pubs-for-breweries swap proposed by Grand Metropolitan and Elders IXL, the Australian brewing company.

Elders' bid for S&N last year was itself blocked by the MMC and Mr John Elliott, Elders' chairman, was forced to sell his company's 23 per cent stake. It was placed with more than 60 institutions in March.



Trevor Humphries

Alick Rankin: organic growth from leisure division would probably be strong enough to remove the need for further acquisitions

S&N, responsible for well-known beer brands like McEwan's Export and Newcastle Brown, increased turnover from £1.03bn to £1.24bn and earnings rose to 28.7p (23.4p). A final dividend of 8.58p makes 13p (10.83p) for the year.

The figures included a first-time operating profit of £44.2m. from S&N's new leisure division.

S&N launched its new European leisure strategy last year after selling its Thistle chain of hotels. The group bought a 75 per cent stake in Center Parcs, the Netherlands holiday village operator, and mopped up the outstanding 50 per cent of Pontin's, the UK leisure group. Mr Rankin said organic growth from the leisure division would probably be strong enough to remove the need for further acquisitions.

Beer interests reported operating profits of £152m (£133m) last year, and hotels made £14.8m (£25.1m). The sale of Thistle contributed £416m to extraordinary profits of £424m.

● **COMMENT**

It sounds a little odd for Mr Rankin to rail against restrictions on expanding brewers the year after the MMC saved S&N's skin. The group has now signalled its intention to grow the brewing side by selling down to the government limit of 2,000 pubs, but it will be intriguing to see just how S&N achieves that growth without rousing the regulators. Indeed, there are some who argue that an MMC report preventing the GrandMet/Elders deal would bolster S&N's share price – down 1p at 339p – because it would limit the potential for injudicious acquisitions. As it is, the group can sit back and enjoy the benefits of the Thistle cash for one more year. That should help push up profits to about £230m before tax in 1990-91, putting the shares on a prospective multiple of about 10. They look fairly valued, at least until the results of the MMC report are known.

Laura Ashley sells Penhaligon's for £6.5m

By John Thornhill

LAURA ASHLEY Holdings, the fashion and household furnishings retailer which has been hit by turbulent trading, is selling its Penhaligon's perfume business for £6.5m in cash plus a reduction in debt of £1m.

The buyer is The Limited, a US retailing group, which only last year was involved in a bitter legal wrangle with Laura Ashley over alleged copying of Penhaligon's products.

Penhaligon designs and produces a range of perfumes, toiletries and silver gifts. Its products are sold through seven shops and one sales outlet in the UK and through two sales outlets in the US.

Mr Andrew Higginson, Laura Ashley's recently-installed finance director said: "I would say it was a very good price for us."

He also suggested there might be more disposals. "We are concentrating on the core brand and how to exploit it. That is where all the emphasis is being put. Anything else is a distraction."

In the year to January 27 1990, Penhaligon's reported a pre-tax loss of £921,529 on sales of £1.65m. The value of its net assets is about £253,000.

The Limited is also repaying borrowings of about £1m. Laura Ashley will use the proceeds to reduce its borrowing levels.

Laura Ashley bought Penhaligon's for £1m in 1987 when it was diversifying away from its traditional floral prints business.

Penhaligon's was founded in 1870 and supplied fragrances to Queen Victoria. It will now form part of The Limited's stable of retail businesses, which also include Express, Victoria's Secret, and Abercrombie & Fitch. The company runs 3,230 fashion stores throughout the US.

Laura Ashley filed a law suit against The Limited last March claiming it had copied Penhaligon's glass-stoppered bottles, the name of its products and the design of labels and packaging, including the simulation of royal warrants.

The action was finally settled out of court.

Hazlewood Foods sells confectionery arm for £59m

By Nikki Tait

HAZLEWOOD FOODS, the Derby-based food manufacturing group, has sold its confectionery and snacks division to management for £59m.

The consideration comprises £51m cash and an £8m unsecured loan note. Hazlewood also has the right to a 7.5 per cent equity stake in the new company.

Hazlewood announced that it was in negotiations with management when giving its full-year results last month. At the time, analysts' estimates of the sale proceeds ranged about the £50m-70m level. Yesterday's news left Hazlewood shares down 8p at 156p.

The funding for the deal is coming from a variety of sources. The equity element amounts to £13.5m and, apart from the management's contribution, is being provided by Citicorp Venture Capital and County NatWest Ventures. There is then a £10m tranche of mezzanine funding, coming from Intermediate Capital Group.

The debt element breaks into three parts: a £13m term loan,£3m of bridging finance and £11m of working capital facilities.The senior debt is being provided by Bank of Scotland.

About ten members of management are contributing to the buy-out, according to Mr Philip Courtenay-Luck, chief executive of the division, with the possibility that "a few more may come in".

The division, which comprises both snack products and a mixture of chocolate and sugar confectionery, had sales of £72.8m in the year to end-March, with operating profits of £6.5m and pre-tax profits of £7m.

Its operations span several countries and a relatively generous £8m has been earmarked for capital expenditure during the first two years. Mr Courtenay-Luck said that this was destined principally for the German companies, for the snacks side, and for the Craven sweets business.

Hazlewood, meanwhile, said that the cash injection should reduce group gearing from 121 per cent at end-March to about 65 per cent.

It added that various offers had been received for bits of the business, but management was the only party offering to take the entire division.

Mr Courtenay-Luck indicated that there was a possibility that one of the constituent businesses might now be sold, but declined to elaborate.

Wessex Water beats its profits forecast by £2m

By Andrew Hill

WESSEX WATER, one of the 10 privatised water companies, yesterday promised not to impose restrictions on water use in its region this summer, in spite of the dry winter.

The group, which also managed to maintain unrestricted supplies last year, announced that it had beaten its prospectus profits forecast by £2m in the year to March 31, making £27m before tax. The previous year's profit was £24.1m.

A dividend of 10.14p is recommended, in line with the forecast in December.

Last month Wessex became the first of the large water and sewerage companies since privatisation to reveal a stake in a statutory water company. It controls 1.54 per cent of the votes in Bristol Waterworks Company, which supplies water within Wessex's region.

Turnover rose from £130.8m to £147.8m. There was an extraordinary charge of £4.2m (£1m) relating to privatisation and restructuring costs.

Had the new capital structure of the industry been in place for the whole year, Wessex would have made £56.5m before tax, against £54.5m forecast in the prospectus. Earnings would have been 50p.

Wessex invested £95m (£68m) in capital projects and said it completed those projects about 4 per cent within its budget.

Mr Colin Skellett, managing director, said the group had maintained fairly high capital expenditure in recent years, even before privatisation. "As a result, the sort of level of capital spending we have now reached will be the level for the next few years," he added.

● **COMMENT**

Wessex is one of the smallest privatised water companies, but it also appears to be one of the most attractive. Bringing in the capital expenditure programme below budget is probably not that significant at this early stage – most other water companies are doing so – but it lends support to the view that Wessex has valuable experience in the management of large spending programmes; the news that capital spending will not rise substantially in the next few years, which surprised some observers, is a further attraction. Lyonnaise des Eaux, the large French water supplier, bought 6 per cent of Wessex just after flotation, and is said to be an admirer of the group's strengths in information technology. Assuming Wessex's profits exceed £58m before tax this year (against the pro forma figure of £56.5m), the shares, down 2p at 157p yesterday, look reasonable value on a prospective yield of about 7.5 per cent.

Bowthorpe expands in US with $32m buy

By John Thornhill

Bowthorpe Holdings, the electronics components group, is expanding its interests in the US by way of the acquisition of Thermometrics, a components manufacturer based in Edison, New Jersey, for $32m (£18.24m).

The acquisition, which will represent the largest purchase that Bowthorpe has yet made, will complement its range of temperature control activities. Both Thermometrics and Bowthorpe will market the combined range of products in the US and Europe.

"We shall get an extension of market coverage and range of products," said Mr John Westhead, managing director.

Thermometrics designs, manufactures and sells thermistors in North American and Far East markets particularly for use in medical, industrial and electronics fields.

Hilclare improves 22% to £322,000

Hilclare, the Third Market-listed maker of electronic, security and lighting products, increased pre-tax profit nearly 22 per cent, from £265,000 to £322,000, in the year ended March 31 1990.

Turnover was up from £1.93m to £2.76m, representing sustained growth both in terms of product range and expansion of the customer base.

The current year had started encouragingly, the directors said.

Earnings per share came to 8.01p (6.6p). The dividend is the forecast 1p (nil).

Rockwood deal falls through

By Andrew Hill

MR LEE MING TEE, a businessman who was to inject £5m into Rockwood Holdings, appears to have pulled out of the deal, leaving the USM-quoted freight and distribution company to put together another rescue package.

A brief statement from the company yesterday said that Mr Lee's subscription of 9.5 per cent secured convertible debt "had not proceeded". Mr Tom Forrest, Rockwood's chairman, was unavailable to comment.

The cash injection was part of a rescue plan put in place in May after Rockwood reported losses for 1989, an increase in debt and problems with various acquisitions. Now Rockwood is having to look for alternative refinancing methods.

Yesterday's statement said that the proceeds of various disposals had "substantially reduced" Rockwood's borrowings and negotiations about further disposals were well-advanced.

Mr Lee has had links with Mr Forrest since the Asian headed Wormald International, the Australian fire protection company which is still the largest investor in Holmes Protection Group.

Mr Forrest and his colleague Mr Brian O'Connor stepped down as vice chairman and chairman of Holmes, a New York security company, earlier this year. Mr Lee resigned as chairman and director of Wormald in 1988.

Hampson buys ex-Coloroll furniture brands

By Alice Rawsthorn

Hampson Industries, the West Midlands-based industrial group, has bought the furniture businesses originally owned by Coloroll, the home products company which went into receivership last month.

All the Coloroll companies have been up for sale since it called in Ernst & Young, the accountancy group, as its receivers in early June. Coloroll went under – with debts of up to £400m – when the home products market was hit by high interest rates.

Shortly after its appointment Ernst closed down the Coloroll furniture companies, which employed more than 600 people, because they were making "unreasonable losses". It sold the rights and title to the companies to Prestige, a privately owned furniture business in Wales, which has since sold them to Hampson.

Hampson already owns two furniture businesses, Ian Walker and Monogram, and is also involved with aluminium refining and precision engineering. It has bought the brand names of the Coloroll furniture companies – William Barrett Furniture and Nu Trend Upholstery – together with the order books and some machinery, but not the factories.

The production from the old Coloroll factories will be transfered to Hampson's new furniture plant at Dudley in the West Midlands. Hampson hopes to create 180 new jobs there through the addition of the Coloroll business.

The other Coloroll companies – which are involved with carpets, home furnishings, wallcoverings and ceramics – are still up for sale. Ernst has received "several hundred" inquiries from prospective purchasers. Some members of the old Coloroll management team are also said to be interested in parts of the group.

DIVIDENDS ANNOUNCED

Crosby (James)	fin	2.5	Oct 4	2.5	3.75	3.5
FNFC	int	4.5	-	4.5	-	13
Hilclare ♦	fin	1	Sept 21	nil	1	nil
Robertson Gp	fin	3.2	Oct 1	2.7	4.5	3.8
Scott/Newcastle	fin	8.58	Sept 10	7.73	13	10.83
Unit Group ♦	fin	2.5†	Oct 1	2.5	5	5
Wessex Water	fin	10.14	Oct 1	-	10.14	-

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. ♦Third Market stock.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetables.

TODAY

Interims- James Dickie, Newman Tonks, Partridge Fine Arts.

Finals- Associated British Eng, Baker Harris Saunders, Birmingham Mint, Bucknall Austin, CH Industrials, Farepak, Fleming Inv Trust, General Electric, Philip Harris, Jurys Hotel, NMC, Pepe, Reed Executive, Scottish & Mercantile Inv Trust, Shield.

FUTURE DATES

Interims-	
Evode	July 16
GWR	July 19
Gardiner	July 10
Low & Bonar	July 9
Norfolk House	July 13
Radius	July 24
Finals-	
Fitch Lovell	July 19
Kingsgrange	July 10
Nobo	July 12
Surrey	July 4
Westport	July 4

CLOSES IN 6 DAYS OFFER CLOSES IN 6 DAYS OFFER CLOSES IN 6

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BY

CITYSTONE ASSETS PLC

FOR

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Barclays de Zoete Wedd Securities Limited was instructed on 20th June, 1990 by Citystone to purchase up to 95 million Globe Ordinary shares (17.64 per cent of Globe Ordinary shares) on its behalf for immediate cash settlement. Whilst this order currently remains open, Citystone reserves the right to change it in any way without further announcement.

The issue of this advertisement has been approved by duly authorised committees of the directors of British Coal Staff Superannuation Scheme Trustees Limited ("the Staff Superannuation Scheme Directors") and of the trustees of the Mineworkers' Pension Scheme and of the directors of Citystone. The Staff Superannuation Scheme Directors, the trustees of the Mineworkers' Pension Scheme and the directors of Citystone (all of whose names are given in the Original Offer Document) accept responsibility for the information contained in this advertisement. To the best of the knowledge and belief of the Staff Superannuation Scheme Directors, the trustees of the Mineworkers' Pension Scheme and the directors of Citystone (having taken all reasonable care to ensure that such is the case) the information contained in this advertisement is in accordance with the facts and does not omit anything likely to affect the import of such information.

The issue of this advertisement has been approved by Barclays de Zoete Wedd Limited for the purposes of Section 57 of the Financial Services Act 1986. Barclays de Zoete Wedd Limited is a member of The Securities Association.

CLOSES IN 6 DAYS OFFER CLOSES IN 6 DAYS OFFER CLOSES IN 6

NATIONAL & PROVINCIAL BUILDING SOCIETY

£200,000,000

Floating Rate Notes 1996

Notice is hereby given that the rate of interest has been fixed at 15 1/16% p.a. and that the interest payable on the relevant interest payment date 27 September, 1990 against coupon No. 18 will be £189.83 per £5,000 Note and £3,796.58 per £100,000 Note.

Agent Bank:

Lloyds Bank Plc

WESSEX SETS HIGHER STANDARDS

Preliminary results for the year ended 31 March 1990

Turnover	£148 m
Profit before tax	£27 m
Dividend per share	10.14 p

I am delighted to announce profits eight per cent ahead of those forecast at the time of flotation. The benefits of privatisation for Wessex shareholders and for Wessex customers and their environment are already emerging.

The high standards of drinking water, treated effluent and bathing waters were improved further during the year. Wessex was the first utility to be highly commended by the British Quality Association for our customer service systems. We shall continue to strive for improvements.

Nicholas Hood, Chairman

Wessex Water

The report and accounts will be posted to shareholders in August. For a copy please write to: Public Relations Department, Wessex Water Plc, Wessex House, Passage Street, Bristol BS2 0JQ

This announcement appears as a matter of record only.

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NOTICE IS HEREBY GIVEN that, pursuant to the provisions of the Paying Agency Agreement and the Terms and Conditions of the Certificates, Morgan Guaranty Trust Company of New York, as Principal Paying Agent, has selected $14,290,000 principal amount of said Certificates for redemption on July 31, 1990 at the redemption price of 100% of the principal amount thereof. The Certificates so selected are those bearing the serial numbers as follows:

ALL OUTSTANDING CERTIFICATES WITH SERIAL NUMBERS ENDING WITH ANY OF THE FOLLOWING TWO DIGITS
16 19 23 27 35 44 54 55 59 74 76 78 82 89 97

ALL OUTSTANDING CERTIFICATES WITH THE FOLLOWING SERIAL NUMBERS
169 469 769 1269 1769 2269 5869 6469
6969 7369 8269 9069 9669

On July 31, 1990, the Certificates designated above will become due and payable at the redemption price as aforesaid in such coin or currency of the United States of America as at the time of payment is legal tender for the payment of public and private debts therein, and will be paid, upon presentation and surrender thereof with all coupons appertaining thereto maturing after the redemption date, at the option of the holder either (a) at the Corporate Trust Department of Morgan Guaranty Trust Company of New York, 30 West Broadway, New York, N.Y. 10015, or (b) subject to applicable laws and regulations, at the main office of Morgan Guaranty Trust Company of New York in Brussels, Frankfurt/Main or London, or the main office of Swiss Bank Corporation in Switzerland, or the main office of Banque Internationale à Luxembourg in Luxembourg. Payments at the office of any paying agent outside of the United States will be made by cheque drawn on, or transfer to a United States dollar account with, a bank in New York City. Any payment made within the United States or transferred to an account maintained by a non-U.S. payee with a bank in the United States may be subject to reporting to the United States Internal Revenue Service (IRS) and to backup withholding at a rate of 20% if payees not recognized as exempt recipients fail to provide the paying agent with an executed IRS Form W-8 certifying under penalties of perjury that the payee is not a United States person. Payments to non-exempt U.S. payees are reportable to the IRS and those U.S. payees are required to provide to the Paying Agent an executed IRS Form W-9 certifying under penalties of perjury the payee's taxpayer identification number (employer identification number or social security number, as appropriate) to avoid 20% withholding of the payment. Failure to provide a correct taxpayer identification number may also subject a U.S. payee to a penalty of $50.

Coupons due July 1990 should be detached and collected in the usual manner.

From and after July 31, 1990, interest shall cease to accrue on the Certificates herein designated for redemption.

MORGAN GUARANTY TRUST COMPANY OF NEW YORK, Principal Paying Agent

Dated: July 1990

UK COMPANY NEWS

Warnings that can be harbingers of doom

A reminder that profits can go down as well as up, Andrew Bolger reports

THEY OFTEN appear in the twilit period in the City on a Friday after the market has closed at 4.30pm, but before the Stock Exchange's company news service shuts down at 6pm.

Sometimes the announcement is baldly labelled as a "profits warning" – more often it is flagged as a "chairman's statement regarding current trading conditions."

The result is almost invariably the same: a sharp fall in the share price (as soon as trading is possible) and a reconsideration by analysts and investors of the company's prospects.

After several years of record corporate earnings, the City is once again being reminded that profits can go down as well as up. In the first six months of this year, the FT has reported 75 warnings about profits or trading conditions.

From a low of four in March, the number of companies involved grew to a peak of 19 in June.

Will this trend continue, and is it an early indicator of a looming domestic recession?

Profits warnings certainly can be harbingers of doom for the companies involved.

Coloroll, the home products group, issued a warning in January, and went into receivership in June. Sock Shop International, the hosiery group, cautioned the market on February 1 that it would report a "material loss" – and 20 days later appointed administrators.

However, most companies which issue warnings are in no danger of going under. The accompanying table (which does not claim to be comprehensive) includes some of Britain's biggest and best-known companies. The stock market largely trades on expectations and even the biggest players may find they need to inform the City about changes in their market.

Traditionally, the biggest companies have been able to adjust expectations by briefing the analysts and brokers who follow them, but under Stock Exchange rules all such price-sensitive information should be made freely available to the whole market.

Sometimes companies are pushed into issuing a statement about the outlook by a drop in their share price or general gloom about their sector. The instances shown when a warning was followed by a rise in the share price illustrate that even a forecast of reduced profits can be better than the market's worst fears.

Surprising the market with bad news can have much worse consequences than the pain arising from a profits warning. Mecca Leisure, Britain's biggest leisure-only operator, saw its share price drop by 30 per cent on April 3 after it announced lower profits and higher gearing than had been expected.

Analysts, many of whom had supported Mecca's £750m acquisition of the Pleasurama Group at the end of 1988, were furious about the way the directors had failed to keep them informed and turned on them almost without exception. Last week Mecca reluctantly recommended acceptance of a hostile £544m takeover bid from the rival Rank Organisation.

The companies which have issued warnings broadly reflect known areas of pain in the domestic economy – retailers, computer software houses, builders and property developers are all well represented, and the current plight of the junior market is illustrated by the number of USM companies on the list.

However, the list also includes warnings from Porth, which produces Christmas decorations, and Armitage Bros, which makes pet products. It can be tough in them there niche markets . . .

So is the recent wave of warnings an early sign of a crash in the corporate sector? It may prove to be so, but the recent pattern may have as much to do with with the timing of the company results season as with any underlying economic malaise.

Most companies' financial years end on December 31. Allowing time for the preparation of interim accounts, that means the peak of the results season falls in March and September each year.

Stock Exchange rules on profit forecasts are mainly concerned with claims made in listing particulars and in requiring companies to explain any material divergence in the company's results from published forecasts.

However, most companies operate an informal "close season" whereby the company and its advisers do not talk to analysts or the press for several weeks before the results date.

Companies which knew that things were tough and would be reporting in the autumn have thus had the option of issuing a profits warning or soldiering on silently into their close season.

It would therefore be rash to read too much into the accompanying table, in spite of the many individual tales of woe.

On the other hand, serious recession watchers who fear the worst is yet to come should not be in too great a rush to leave their Topic screen on a Friday evening.

PROFIT AND/OR TRADING WARNINGS IN FIRST HALF OF 1990

Date	Company	Description	Share price movement*
Jan 8	Specialeyes	USM chain of retail opticians	29p-22p
Jan 11	Jones, Stroud	Materials supplier to textile, electrical industries	235p†
Jan 15	Telecomputing	USM mainframe software house	93p-85p
Jan 16	Stanley Miller	Building contractor	197p-172p
Jan 17	Rockware	Glass and plastics packaging group	54p-51p
Jan 18	*Hunter Print*	*Specialist printer*	*190p-130p*
	Standard Chartered	London-based bank	563p-551p
Jan 19	Sutherland Holdings	USM food processor	46p-36p
Jan 22	Coloroll	Home products group	63p-29p
Jan 25	Laura Ashley	Clothing and home furnishings	66p-51p
Jan 30	AIM Group	Aircraft interiors manufacturer, property developer	275p-220p
Feb 1	Sock Shop Intl	Hosiery group	65p-50p
	FR Group	Defence manufacturer	222p-194p
Feb 6	*Strong & Fisher*	*Clothing leather manufacturers*	*78p-65p*
	LIT Holdings	Futures clearing and corporate finance	33p-25p
Feb 13	*English China Clay*	*Industrial materials, aggregrate group*	*414p-388p*
Feb 14	Porth Group	USM maker of Christmas decorations	73p†
Feb 17	FKI	electrical products	60p-58p
Feb 20	VPI	Financial and corporate communications group	36p-26p
Feb 26	Parkway Group	USM pre-press production company	78p-60p
Mar 9	Sketchley	Dry cleaning, industrial services group	355p-349p
Mar 16	Astra Holdings	Munitions and fireworks manufacturer	37p-22p
Mar 30	Forward Group	Electronics industry supplier	70p-38p
	F. Copson	Building materials, hotels, nursing homes	86p-56p
Apr 9	*Courtney, Pope Holdings*	*Specialist contractor*	*119p-114p*
Apr 12	Blacks Leisure	Camping and sporting goods retailer	59p-48p
	Erskine House Group	Distributor of facsimile and photocopier machines	122p-119p
Apr 17	Yorkshire Radio Network	Commercial radio	132p-77p
	Finlan	Property company	32p-19p
Apr 23	PML Group	USM clothing importer	15p-8p
Apr 24	Rockwood Holdings	USM freight and distribution group	18p-10p
	Midland Bank	Clearing bank	310p-289p
Apr 25	More O'Ferrall	Outdoor advertising contractor	355p-245p
Apr 26	Barclays	Clearing bank	505p-507p
	Etam	*Clothing retailer*	*148p-131p*
April 27	ASD	USM steel stockholding, distribution	73p-68p
	George Wimpey	Construction, property development	227p-219p
May 1	DAF	*Dutch commercial vehicles manufacturer*	£10⅝-£8¾
May 2	Johnson Matthey	Precious metals refining and marketing	247p-225p
	MBS	Mini-computers and sotware company	18p-18p
May 8	Norman Hay	Metals and processing group	88p-85p
May 9	Sketchley	Dry cleaning, industrial services group	236p-205p
May 10	GKN	Automotive, engineering group	397p-368p
May 14	IMI	Metals group	230p-227p
May 15	Marley	Building materials, automotive components	122p†
	Border TV	IBA contractor for Cumbria, USM-quoted	41p-37p
May 17	Gieves Group	Tailors, printers, and motor retailers	153p†
May 18	Conder Group	Construction products and services	615p-360p
May 23	Rank Hovis McDougall	Bakeries and food group	398p-380p
May 30	Foseco	Producer of special chemicals, abrasives	249p-241p
	Headland Group	*USM Computer services group*	23p-15p
	Logica	Independent computer software company	299p-219p
	Thames TV	Largest ITV company	546p-513p
	Wickes	DIY retailer, building materials	190p-185p
May 31	Eldridge Pope	West Country brewer	145p-124p
Jun 5	Hall Engineering (Holdings)	Engineering	155p-110p
Jun 7	Daily Mail and General Trust	Publisher of Daily Mail, Evening Standard	£50-£49
Jun 8	Ramus	USM tile, kitchen furniture distributor	81p-68p
Jun 11	Associated Henriques	Trade finance company	91p-61p
Jun 12	*Albert Martin (Holdings)*	*Clothing manufacturer, importer and distributor*	*57p-51p*
	Tarmac	Construction, building materials group	245p-244p
Jun 13	Microvitec	USM electronics, computer peripherals manufacturer	29p†
Jun 14	Flexell Castors & Wheels	Makes and sells castors and wheels	146p-90p
Jun 15	Armitage Bros	Maker of pet products	127p-100p
Jun 18	Alan Cooper	Designer and maker of office furniture	165p-150p
Jun 19	Fitch-RS	Design and architecture group	148p-105p
Jun 20	STC	Information technology group	258p-239p
Jun 21	Parkfield Group	Manufacturing and entertainment	346½p-189p
Jun 26	BSG International	Car dealing, components, consumer products	61p-58½p
	Psion	Maker of hand-held computers	125p-90p
Jun 27	*Berkeley Group*	*Housebuilder, commercial property developer*	182p-185p
	Burton Group	Fashion retailer, owner of Debenhams	164p-149p
	Crest Nicholson	Housebuilder, commercial property developer	153p-144p
	Fairbriar	Housebuilder, commercial property developer	28†
Jun 29	Blackwood Hodge	Earth-moving equipment distributor	43½p-42p.

** Price change on day of announcement, or next full day's trading if announcement came after the market closed.*
† unchanged

Downgrades underpin BZW's cautious short-term view

BARCLAYS de Zoete Wedd keeps an index of downgrades and upgrades made by its analysts of forecast company results, based on formal statements by the companies and informal contacts with the analysts. Mr Richard Kersley, its UK equities analyst, said that recent downgrades had exceeded upgrades by two to one, underpinning BZW's cautious view of the British market in the short term.

At the end of last year, downgrades were running at three to one, and consequently brought forecasts more closely in line with expectations for the March/April results season. Mr Kersley said this process was at the root of the market's sense of relief through the results season that the reported figures did not wholly disappoint.

A similar adjustment in expectations was probably in store over the coming weeks.

Globe repeats call to reject coal funds offer

Globe Investment Trust has sent yet another letter to shareholders, urging them to reject the £1.11bn offer from the British Coal pension funds and suggesting that "the Coal Funds are running out of steam". The bid is due to reach its final close next Monday.

In the market the trickle of share sales continued with Seaq showing 1.6m shares traded. Allowing for double-counting this suggests that less than 0.3 per cent of Globe's equity had been added to the coal funds' tally.

The share sale disclosures, required by rule 8 of the Takeover Code, showed only one very modest institutional disposal in recent days. Equitable Unit Trust Managers sold 150,000 shares on June 25, reducing the total stake held by Equitable Life Assurance and University Life Assurance to 11.54m shares or 2.14 per cent of the equity.

However, fund managers at Equitable stressed that "in the broadest terms, we don't think the bid is acceptable". The shares sold, they said, had come from one unit trust, Equitable Trust of Investment Trusts, which was a short-term fund and tended to sell when discounts narrowed, reinvesting on wider discounts. The sale, they added, did not represent their general stance.

● Correction: An article in Saturday's Weekend FT (Globe: is the price right? page III), described Mr Paul Whitney as chief executive of Globe but he is in fact the chief executive of CIN Management, which runs the British Coal pension funds. The managing director of Globe is Mr James West.

U.S. $50,000,000
Banca Nazionale Dell'Agricoltura
Floating Rate Depositary Receipts due 1998/2000
(the "Depositary Receipts")

Repayment at the Option of the Receiptholders on the Interest Payment falling in September 1998

Receiptholders are hereby notified that in order to exercise the above option, pursuant to Condition 4 (c) of the Depositary Receipt, the relevant Receipt should be presented to the Principal Paying Agent NOT LATER THAN MONDAY JULY 30, 1990, being 60 days prior to September 28, 1990, with the notice of exercise thereon duly completed.

Upon such presentation the Receipt will be enfaced by the Principal Paying Agent to validate the exercise of such option and the Coupons maturing on or after the Interest Payment Date falling in March 1999 shall be cancelled by the Principal Paying Agent and the Receipt returned to the holder. Where any Receipt is presented to the Principal Paying Agent pursuant to the foregoing provisions without all Coupons maturing on or after the Interest Payment Date falling in March 1999, validation by the Principal Paying Agent of the exercise of the Receiptholder's option shall be made only against the provision of such indemnity and security as the Bank or the Depositary Trustee shall require.

For and on behalf of
Banca Nazionale Dell'Agricoltura

By: The Chase Manhattan Bank, N.A.
Principal Paying Agent
Woolgate House
Coleman Street
London EC2P 2HD

CHASE

SUN LIFE GLOBAL PORTFOLIO, SICAV
Registered office: Luxembourg, 14 rue Aldringen
Commercial Register: Luxembourg section B27.526

NOTICE OF ANNUAL GENERAL MEETING OF SHAREHOLDERS

The annual general meeting of shareholders of Sun Life Global Portfolio will be held at its registered office at luxembourg on the 11th July, 1990 at 15.30 p.m. specifically, but without limitation, for the following purposes:

1. To hear and accept:
   a) the management report of the Directors
   b) the report of the independent Auditors
2. To approve the Statement of Assets and Liabilities and Statement of Operations for the year ended 31st March, 1990.
3. To discharge the Directors and the independent auditors with respect to their performance of duties during the year ended 31st March 1990.
4. To elect the directors, specifically Roland FRISING, Ian G. SAMPSON, David W.H. SMITH and John D. WEBSTER, to serve until the next Annual General Meeting of Shareholders. To elect Mr William REED as a successor of Mr. Claude AREND who will resign with effect from 11th July, 1990.
5. To elect the independent auditors, specifically KPMG Peat Marwick Inter-Revision, to serve until the next Annual General Meeting of Shareholders.
6. Other matters.

The shareholders are advised that no quorum for the statutory general meeting is required and that decisions will be taken at the majority of the shares present or represented at the meeting.

By Order of the Board of Directors

Milk Marketing Board

£75,000,000 Floating Rate Notes 1993

In accordance with the provisions of the Notes, notice is hereby given that the rate of interest for the three month period 29th June, 1990 to 28th September, 1990 has been fixed at 15¼% per cent. per annum. Coupon No. 18 will therefore be payable on 28th September, 1990 at £1,877.65 per coupon from Notes of £50,000 nominal and £187.77 per coupon from Notes of £5,000 nominal.

S.G. WARBURG & CO. LTD.
Agent Bank

Yorkshire International Finance B.V.
£75,000,000
Guaranteed Floating Rate Notes due 1994
Guaranteed on an unsubordinated basis by

Yorkshire Bank PLC

In accordance with the provisions of the Notes, is hereby given that for the three month period June 29, 1990 to September 28, 1990 the Notes will carry an interest rate of 15.125% per annum with a coupon amount of £188.54 per £5,000 Note.

NatWest Capital Markets Limited
Agent Bank

CAL
MEMBER AFBD

TIME TO BUY GOLD?

CAL Futures Ltd
Windsor House
50 Victoria Street
London
SW1H 0NW
Tel: 071-799 2233
Fax: 071-799 1321

1

Over one per cent of Spain's economy. Under one active management.

La Corporación Banesto was formed on June 22nd.

It brings together all of the industrial holdings of Banesto – one of Spain's largest banks – to create Spain's largest private sector industrial company.

This company now accounts for more than 1% of the Spanish economy, and over 2.5% of the Madrid Stock Exchange.

With core holdings in fifteen major Spanish corporations and investments in more than 100 other companies, it covers practically every area of Spain's commercial and industrial activity.

Our aim is not merely to invest in these areas however, but to contribute to them.

To give strategic direction to the management of the companies in which we invest. To help plan and promote their development. To make the most of their potential.

The financial strength of the new company gives us an unrivalled opportunity to achieve these ambitions.

Not just in Spain, but throughout Europe and internationally.

It is, in effect, an actively managed slice of Spain.

La Corporación Banesto

The driving force in Spain is now an active force in Europe.

Issued by Corporación Industrial y Financiera de Banesto, S. A. and approved by UBS Phillips and Drew Securities Limited, a member of The Securities Association, for the purpose of section 57 of the Financial Services Act 1986.

EAST RAND PROPRIETARY MINES, LIMITED

RAND MINES

(Registration number 01/00773/06) (Incorporated in the Republic of South Africa)

Abridged Chairman's Statement — 1990

I regret that until the Commission has completed its examination it will not be possible to give shareholders any guidance for the year ahead — C G Knobbs

OVERVIEW

The financial restructuring mentioned in last year's report entailed the conversion of the company's borrowings into "A" and "B" class preference shares to relieve the pressure that crippling interest charges were having on the company's cash flow.

Shortly before the annual general meeting in March 1989, when the two classes of preference shares were created, the Minister of Finance announced the basic provisions of amended legislation affecting preference shares. The effect of the amendment was to tax dividend income from preference shares in certain circumstances. The proposal relating to the conversion of short-term borrowings into preference shares fell within the ambit of the amendment and as a result this proposal was abandoned. This set-back was aggravated by the prevailing gold price and the recovery grades at the mine, both of which were below the figures predicted at the beginning of the year.

On 26 May 1989 it was announced in the press that urgent representations had been made to the Government for direct financial assistance. The listings of the company's shares on the Stock Exchanges in Johannesburg and London and the Paris Bourse were suspended to protect shareholders' interests, whilst the consultations with the Government continued.

Agreement between the company, the Government and the major creditors for the continuation of mining operations was eventually reached. Details of agreements and the announcement that the suspension of the listings of the company's shares had been lifted were published in the press on 29 June 1989.

Essentially, the terms of the agreements stipulated that the existing loans of R220 million from a consortium of South African banks and R60 million from a commercial bank would not be called up before 31 December 2002, except if deferred and capitalised interest on the consortium loan exceeded R67 million, and only after consultation with the Government. Interest on the Government guaranteed consortium loan of R220 million would continue to be subsidised by the Government until 31 December 1992 whilst the unsubsidised portion would be deferred and capitalised, to be paid between 1993 and 1995. Interest on the R60 million unsecured loan would be deferred until 31 December 1992. Rand Mines Limited and its wholly-owned subsidiary, Rand Mines (Mining & Services) Limited, also agreed to convert their existing loans of R70 million into "B" class redeemable preference shares. Rand Mines Limited agreed in addition to make available an additional loan facility of up to R20 million, subject to the same terms and conditions applicable to the cosortium loan and the bank loan. Finally, the Government agreed to a subsidy of R8 million per annum for the cost of pumping extraneous water and annual loans of R10 million for the maintenance of the pumping shafts. The loan does not attract interest if repaid within five years.

In the discussions with the Government and the consortium of banks concerning the restructuring of the debt, it was acknowledged that the possibility of converting the debt into preference shares should be re-examined in an endeavour to remove the obstacles caused by the amendment of the income tax legislation. A proposal was submitted early in 1990 but was not accepted by the Government. Consequently, this option has been shelved for the time being at least.

In my 1988 statement, I alluded to the prospect of disappointing gold prices in the year ahead. Unfortunately the gold price remained below expectations for so long that when an increase occurred late in 1989, it was too late to allow the average price of R34 300 per kilogram assumption for 1989 to be achieved.

The average gold price in rands per kilogram for the year 1989 was 2 per cent below the average for the previous year. This was the third successive year in which the gold price in rand terms has failed to increase at a rate sufficient to match the rate of inflation in South Africa.

The recovery grade also failed to meet expectations. The 28 per cent reduction in tons milled was the result of the highly selective mining policy started in 1988. Unfortunately the recovery grade from the reduced level of underground operations increased by only 7 per cent due mainly to the erratic in-situ distribution of gold grades in the Far East section.

Production at the mine was concentrated in the Cason, Hercules and Far East Sub-Vertical shaft areas. The hope, expressed in the 1988 report, of reaching 60 000 tons per month from the Far East section was realised in October 1989. Apart from the uneconomic areas abandoned under the plan mentioned in the 1988 report, mining from the "L" shaft area became uneconomic, and was stopped. The rate of production through the sand plant was planned to double but financial constraints forced the abandonment of the project, which would have entailed the costly conversion of two grinding mills.

	Year ended 31 December		
OPERATING RESULTS	**1989**	1988	% Change
Underground Operations			
Tons milled — 000	**1 604**	2 233	−28
Gold produced — kilograms	**6 225**	8 096	−23
Yield — grams per ton milled	**3.88**	3.63	+ 7
Revenue — per ton milled	**R124.85**	R118.76	+ 5
Cost — per ton milled	**R168.48**	R152.94	+10
Loss — per ton milled	**R43.63**	R34.15	+28
Cost — per kilogram produced	**R43 412**	R42 169	+ 3
Sand Treatment			
Tons sand treated — 000	**1 418**	1 005	+41
Gold produced — kilograms	**1 565**	963	+63
Yield — grams per ton treated	**1.11**	0.96	+16
Revenue — per ton treated	**R35.56**	R31.39	+13
Cost — per ton treated	**R12.75**	R9.37	+36
Profit — per ton treated	**R22.81**	R22.02	+ 4
Cost — per kilogram produced	***R11 536***	*R9 779*	*+18*
Gold price received per kilogram	**R32 171**	R32 756	− 2
FINANCIAL RESULTS	**R000**	R000	
Working revenue	**250 613**	296 716	−16
Working expenditure	***288 295***	*350 934*	*−18*
Working loss	**37 682**	54 218	−30
Sundry expenditure — net (including interest)	**17 138**	7 617	+125
Loss	**54 820**	61 835	−11
Capital expenditure	**32 971**	107 588	−69

Note: *Total mine overheads are borne by the underground operations for purposes of computing underground and sand treatment costs.*

FINANCIAL RESULTS

The working loss for the year, when compared with the previous year, was reduced from R54.2 million to R37.7 million. This resulted mainly from lower expenditure of R288.3 million brought about by the reduced level of underground mining operations. Although the revenue was bolstered by the increased gold production from the sand retreatment operation it was, at R250.6 million, 16 per cent lower than last year.

Working costs for the year included the non-recurring cost of relocating mining operations to the better pay areas and the cost of retrenching certain employees who could not be re-employed on other mines in the Rand Mines Group.

The total interest payable for the year amounted to R51.5 million, of which R17.1 million was charged to working costs, R13.0 million was capitalised in terms of the company's accounting policies and R21.4 million was subsidised by the Government.

The increase in the interest payable was attributable to total borrowings rising to R313.3 million and interest rates increasing from an average of 17.5 per cent to 19.6 per cent per annum during the year under review.

The issued share capital was increased when Rand Mines Limited and one of its wholly-owned subsidiaries converted R70 million of debt into "B" class preference shares created by a special resolution passed in March 1989.

Capital expenditure for the year amounted to R33.0 million, a 69 per cent decrease, or R74.6 million less than in 1988. It was spent mainly on the major components of the Far East Project.

The report of the directors, to which members' attention is drawn, describes in detail the results of operations at the mine for the year ended 31 December 1989.

OUTLOOK

At the present gold price of about R30 000 per kilogram, a further rationalisation of the mine's underground operations is required if the company is to have any chance of returning to profitability. The lower grade and higher cost working areas will be closed and operations will be concentrated in the high grade sections located mainly in the eastern part of the mine. The mine has slowly been implementing this rationalisation plan over the past few months. Only the constraints, pending its approval, of an improved financial package, mentioned later, has prevented the full implementation of the plan. This rationalisation plan should enable the mine to substantially increase its recovery grade, thereby reducing its cost of production to a level where a working profit is achieved. By assuming the approval of the new financial package and a steady rise in revenues each year from gold production and/or the price of the metal, there is a reasonable probability that the company can meet all its financial obligations in the future.

Although grades in the Far East section are below the average predicted in the sedimentological and statistical exercise conducted some years ago, this deviation is within acceptable limits of predictability. The grades should improve to equate more closely with the average predicted for the areas as stopes advance through low grade patches or are temporarily stopped while the gold price remains at low levels.

Now that the "K" shaft longwall has been completely re-established on the east side of a major fault, the improved grades from this section should partially compensate for the lower grades presently being experienced in the Far East area.

As part of the latest plan the Far East Vertical shaft from surface will be equipped to handle men and material and the ice plant will be commissioned. There should be significant improvements to production and productivity arising from these actions.

The average recovery grade from sand treatment is expected to be lower in 1990, due to the depletion of the higher grade Driefontein dump. Sand from the Cason dump is now being processed.

The latest rationalisation plan is critical to the survival of the mine but it can only be fully implemented if certain funding proposals incorporating a new loan, the sale of certain assets and further relief on the crippling interest burden are adopted. The funding proposals which were compiled and recommended jointly by the Government's Interdepartmental Committee for State Assistance to Mining Industry, the company and its major creditors were submitted to the relevant Ministry for final approval.

However, before considering further assistance, the Government decided to appoint a Commission of Inquiry to investigate and report on the viability of the mine.

I regret that until the Commission has completed its examination of this new rationalisation plan it will not be possible to give shareholders any forecast as to how the company is likely to perform in the year ahead.

The company will give the Commission the highest level of co-operation and assistance but unless a favourable decision from Government on the latest funding proposals is received speedily, the mine may have to close.

Members should take particular note of this very grave situation which now confronts the company.

C G Knobbs
Chairman

Johannesburg
28 June 1990

The annual financial statements may be obtained from Hill Samuel Registrars Limited, 6 Greencoat Place, London, SW1P 1PL.

Banque Belge
LIMITED

PRIVATE BANKERS

Banque Belge Limited are pleased to announce that they have moved to new premises, and will continue to provide a full range of Private Banking and Trustee Services, both from London and Guernsey.

The new address, from 30th June 1990, is:

3, ST JAMES'S SQUARE, LONDON SW1Y 4JU

Telephone: 071-930 7000 Telefax: 071-930 4360 (General & Banking)
071-930 4361 (Marketing)
071-930 4362 (Investment & Securities)
Telex: 886604/886788

A subsidiary of Generale Bank SA/NV

BANQUE BELGE LIMITED LONDON, IS A MEMBER OF THE SECURITIES ASSOCIATION

UK COMPANY NEWS

Robertson accelerates 33% to £8m

ROBERTSON GROUP, the natural resources and environmental consultancy combine, recorded a 33 per cent increase in pre-tax profits for the year ended March 31 1990.

A substantial increase from the core consultancy businesses and another significant contribution from mineral ventures pushed the profit to £8.1m (£6.07m). Turnover came to £45.68m (£42.83m).

A divisional profit split showed petroleum £3.32m (£3.28m); environment £1.37m (£791,000); rural development £531,000 (£621,000); minerals and mapping £266,000 (loss £156,000). Mineral ventures accounted for £2.56m (£1.44m), while associates turned in £458,000 (£76,000) and interest received was £146,000 (£314,000).

Dr Roy Bichan, chairman, said he saw the 1990s as a period when businesses operating in the service sectors of energy and the environment should have strong growth profiles.

Earnings amounted to 15.6p (11.7p), including 4.1p (2.7p) attributable to mineral ventures. A recommended final dividend of 3.2p makes a 4.5p (3.8p) total.

A one-for-two scrip issue is also proposed.

NEWS DIGEST

Ferromet at £1.4m after 9 months

FERROMET Group, formerly Clogau Gold, which has undergone major restructuring reported a pre-tax profit of £1.38m for the nine months to end-December compared with £1.71m for the year to March 31 1989, but that included non-recurring profits of £580,000 on sales of gold.

Turnover in the nine months rose to £67.2m against £22.7m for the previous year. After tax of £631,317 (£474,184) earnings per share were left at 0.57p (1.46p).

Again there is no dividend, but the company believed that the results would allow it to consider payment of dividends in respect of the current year.

Poor second half holds Vistec back

Vistec Group, the USM-quoted computer systems and supplies combine, did not have a satisfactory second half, and that restricted pre-tax profit growth to £399,000 for the year ended April 30 1990.

The profit came to £1.59m (£1.19m) and was generated from turnover of £36m (£11.96m). Gross profit topped £8m (£2.6m) but selling and administration charges rose by £4.8m.

Because of current trading conditions the directors are not recommending a final dividend. The year's payment is, therefore, held at 0.1p.

Wiltshire in profit and seeks new houses

The Wiltshire Brewery Company announced taxable profits of £10,744 for the six months to March 31 – its first interim profit since being bought out of receivership in 1985.

Results of the brewery – which came to the USM in February – compared with losses of £37,031 in the corresponding period last time.

Turnover amounted to £396,739, a rise of 38 per cent, although the seven pubs purchased in February from Whitbread for £1.25m made "minimal contributions".

There is no interim dividend, but the directors expect to recommend a distribution for the full year.

Rand London goes into the red

Rand London Corporation, the mining investment and management company, incurred an operating loss of £1.53m in the year to March 31 compared with a previous profit of £3.55m.

After interest of £1.58m against £1.25m, the attributable loss was £3.11m, compared with a profit of £2.31m, or a loss per share of 2.27 cents (earnings of 1.77 cents).

There is again no dividend.

Robert Maxwell: the proposal reflected satisfactory profits

Central & Sheerwood more than doubles

Both the engineering and property divisions of Central & Sheerwood showed increases in 1989 to leave pre-tax profits more than doubled at £2.55m, against £1.08m. Mr Robert Maxwell, chairman, and his fellow directors are recommending a final dividend of 0.1p, the first payment since 1982.

Mr Maxwell said that the proposal reflected the satisfactory level of profits and the substantial recovery in the group's reserves.

For the present year AL Dunn had seen some deterioration in its production but Coventry Apex had made an excellent start. The property side expected attractive opportunities to arise later in the year.

Turnover was £49.87m (£36.28m). Earnings per share came out at 0.54p (0.28p).

Aran Energy plans I£37.4m cash call

Aran Energy, the Dublin-based oil and gas exploration group, plans a rights issue to raise some I£37.4m (£34.6m) net of expenses.

The company proposes to issue 97.92m new ordinary shares at 40p each on a three-for-five basis. The purpose of the issue is to fund its exploration programme, including its share of capital expenditure on the Alba and Gryphon fields.

Overseas sales help Alba to £3.09m

Pre-tax profits at Alba, the *audio, video and consumer* electronics group, amounted to £3.09m on sales of £78.08m in the nine months to March 31 1990.

That compared with £4.08m and £73.77m respectively in the year ended June 30 1989.

Earnings in the nine months came to 5.12p (7.42p for year). The final dividend is 1.75p for a *total of 3.25p (4.35p year).*

City Site Estates up despite slack market

In spite of deteriorating market conditions City Site Estates lifted rental income 51 per cent in the half year ended March 31. But pre-tax profit was only £78,000, compared to £1.52m.

Rental income rose to £4.42m (£2.93m).

Earnings per share in the half year came to 0.79p (5.92p) diluted. The interim dividend is raised to 0.96p (0.8p).

Profit rise for Clyde Blowers

Clyde Blowers, maker of soot blowing equipment, lifted pre-tax profit from £86,000 to £92,000 in the half year to February 28.

Turnover moved up to £1.91m (£1.69m) and produced operating profits of £6,000 (£7,000). Earnings were 6.9p (6.4p) and the interim dividend is again 0.83p.

Electric and Gen improvement

At May 31 net asset value of Electric and General Investment was 137.1p at par and 138p at market value, compared with 127p and 127.1p *respectively a year earlier.*

In the year to May 31 earnings rose from 2.09p to 3.08p. The proposed final is 1.5p and there is a special centenary payment of 0.5p, making 3p for the year against 2.05p.

Electronic Data tops £800,000 midway

Pre-tax profits at Electronic Data Processing soared from £373,000 to £822,000 in the half year to March 31. Sales advanced from £7.6m to £8.33m.

Earnings worked through at 7.14p (3.41p) and the interim dividend is stepped up to 0.775 (0.7p).

Walker & Staff profits dip

In spite of an increase from £7.06m to £8.05m in turnover, Walker & Staff, a valve and pipeline equipment distributor, saw pre-tax profits for the year to March 31 fall back from £436,251 to £389,173.

Earnings per 5p ordinary emerged at 11.1p (12.1p). The dividend is maintained at 3p.

Sandell held back by weak second quarter

A weak second three months in its traditional business and a loss at Sandell Interlock left taxable profits at Sandell Group lower at £66,000, compared with £155,000, in the six months to March 31. Turnover rose 60 per cent from £1.44m to £2.31m.

However the USM-quoted office partitioning supplier said there were signs of an increase in demand and the situation at Interlock was improving. Earnings per share were 1.9p (4.5p) and the interim dividend is maintained at 1.7p.

KLEINWORT BENSON SELECT FUND, SICAV

Registered Office : Luxembourg, 14 rue Aldringen

Commercial Register : Luxembourg Section B 26.136

NOTICE OF THE ANNUAL GENERAL MEETING OF *SHAREHOLDERS*

The Annual General Meeting of Shareholders of KLEINWORT BENSON SELECT FUND, SICAV, will be held at its registered office at Luxembourg, 14, rue Aldringen, on July 10th, 1990 at 15.00 hours for the purpose of considering and voting upon the following matters:

1. To hear and accept
   a) the management report of the directors
   b) the report of the auditor
2. To approve the statement of net assets and liabilities and the statement of operations for the year ended March 31st, 1990 and to consider declaration of dividend.
3. To discharge the directors and the auditor with respect of their performance of duties during the year ended March 31st,1990
4. To elect the directors to serve until the next annual general meeting of shareholders.
5. To elect the auditor to serve until the next annual general meeting of shareholders.
6. Any other business.

The shareholders are advised that no quorum for the statutory general meeting is required and that decisions will be taken at the majority of the shares present or *represented at the meeting.*

In order to take part at the *statutory* meeting of July 10th, 1990, the owners of bearer shares will have to deposit their shares five clear days before the meeting at the registered office of the Fund, 14, rue Aldringen, Luxembourg, or with the following bank:
- Banque Générale du Luxembourg S.A., 14, rue Aldringen, Luxembourg.

The Board of Directors

EAST RAND PROPRIETARY MINES, LIMITED

RAND MINES

Registration Number 01/00773/06
(Incorporated in the Republic of South Africa)

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the ninety-fourth annual general meeting of EAST RAND PROPRIETARY MINES, LIMITED will be held in the auditorium, lower ground floor, The Corner House, 63 Fox Street, Johannesburg, on Friday, 27 July 1990 at 10.30 for the following business:

1. *To receive and consider the audited annual financial statements for the year ended 31 December 1989.*
2. To elect directors in place of those retiring in accordance with the provisions of the company's articles of association;
3. To place the unissued shares under the control of the directors.
4. **Special Business**
   To consider and to pass, with or without modification, the following resolution in terms of the provisions of the Companies Act, 1973, as amended, namely:
   As a special resolution
   "Resolved that article No. 125 of the company's articles of association be amended by the substitution of the sum R500 000 000 (five hundred million rand) for the sum R400 000 000 (four hundred million rand) where it appears in the article."
   The effect of the special resolution is that the limit of the company's borrowing powers will be increased from R400 million to R500 million by the amendment of article 125 of the company's articles of association.

The register of members of the company will be closed from 20 July to 27 July 1990, both days inclusive.

A member entitled to attend and vote at the meeting may appoint one or more proxies to attend, speak and vote in his stead. A proxy need not be a member of the company.

For the convenience of members who are unable to attend the meeting but wish to be represented thereat, a proxy form will be sent to members on request to either the transfer secretaries in Johannesburg or to the registrars and transfer agents in the United Kingdom. The attention of members is drawn to the fact that, if it is to be effective, the completed proxy form must reach the company's transfer secretaries in Johannesburg or its United Kingdom registrars and transfer agents at least forty-eight hours (which period excludes Saturdays, Sundays and public holidays) before the time appointed for the holding of the meeting.

Holders of share warrants to bearer who desire to attend or be represented at the meeting must produce their share warrants or a certificate of their holding from a banker or other approved person at the bearer reception office or the United Kingdom registrars and transfer agents, or they must produce their share warrants at the office of the Paris correspondents, in both cases at least five clear normal business days before the date appointed for the holding of the meeting, and shall otherwise comply with the "Conditions governing share warrants" currently in force.

Upon such production, a proxy form or an attendance form will be issued under which such share warrant holder may be represented at or attend the meeting.

By order of the board
Rand Mines (Mining & Services) Limited
Secretaries
per E.L. Smith

Registered Office
19th Floor
The Corner House
63 Fox Street
Johannesburg 2001

Member of the Barlow Rand Group

28 June 1990

£150,000,000

BRISTOL & WEST
BUILDING SOCIETY

Floating Rate Notes Due 1993

Interest Period	29th January 1990 31st July 1990
Interest Amount per £5,000 Note due 31st July 1990	£384.91

Credit Suisse First Boston Limited
Agent Bank

COMMERZBANK OVERSEAS FINANCE N.V.

$12^{5}/_{8}$% A$ 75,000,000 Notes of 1985/1990

Repayment as per August 22, 1990

According to § 6 of the Terms and Conditions of the issue all Notes will be redeemed at par on August 22, 1990.

The Notes will be paid at:
Commerzbank Aktiengesellschaft, Frankfurt/Main (Principal Paying Agent)
Commerzbank Aktiengesellschaft, London Branch
Commerzbank Aktiengesellschaft, Brussels Branch
Commerzbank International S.A., Luxembourg

The Notes shall cease to bear interest as per August 21, 1990.
The coupon as per August 22, 1990 will be paid separately.

Curaçao, Netherlands Antilles, July 1990

Commerzbank Overseas Finance N.V.

UK COMPANY NEWS

FNFC falls to £29m after £10m bad debts provision

By Clare Pearson

FIRST National Finance Corporation, a company which straddles consumer credit and residential property development, made an extra provision of about £10m against bad and doubtful debts in its results for the half-year to end-April.

As a result, pre-tax profits fell from £35.08m to £29.12m. Fully diluted earnings per share were down to 12.8p (14.9p) and the interim dividend stays static at 4.5p.

The shares fell 11p to 210p in response to the announcement yesterday.

Mr Tom Wrigley, chief executive, stressed that the provisions showed FNFC was taking a "prudent approach" as high interest rates put a number of its customers under strain.

Trevor Humphries

Tom Wrigley, FNFC chief executive, announcing a prudent approach in view of interest rate worries

The company, which survived the secondary banking crisis in the early 1970s, disclosed that about 70 per cent of the extra provisions arose from revaluations of properties, chiefly residential, where loans secured on them had fallen into arrears; the balance related to its own property development.

However, these results contrasted with indications, given by FNFC when it reported full-year results in January, that it expected to see a further improvement in profits during the first six months.

Mr Richard Langdon, chairman, explained that the failure of UK interest rates to fall was the key to the disappointing performance.

"In January, we were expecting interest rates to fall in the early spring. Now we do not expect a fall for the rest of this year. We consequently do not anticipate an improvement in profitability during the second half," he said.

The dominant consumer credit division, chiefly engaged in lending for home improvements made pre-tax profits of £19.86m (£23.37m). New business volumes were down on the equivalent period last year.

A policy of selling houses, albeit at depressed prices, led to a squeeze on margins at the property division, which made £2m (£6.67m). Mr Langdon said of the policy: "I'd rather have cash than bricks and mortar at the moment."

Higher volumes on the commercial lending side helped pre-tax profits of that division rise to £9.6m (£7.12m). It accounted for about £1m of the total extra provision.

Increased balances, together with reductions in the number of customers settling debts early, helped earning assets increase from £1.5m to £1.7m.

Mr Langdon said FNFC's business was going through a phase comparable with that experienced during the period of high interest rates in the early 1980s. But he dismissed any comparisons with the early 1970s, when it had to be bailed out by the Bank of England during the fringe banking crisis.

The difference was that the company was now matching maturities of its loans and borrowings, and property was a much smaller part of its business.

See Lex

Burmah move reflects importance of Castrol

By Steven Butler

BURMAH OIL, the lubricants and chemicals group, yesterday reorganised its central office and announced plans to change its name to Burmah Castrol.

The name change reflects the growing dominance of Castrol, its lubricant subsidiary, within Burmah. Last year it accounted for 67 per cent of the trading profit and the Castrol brand name is seen as Burmah's most important asset.

The changes were introduced by Mr Lawrence Urquhart who this month assumes the post of chairman following the retirement of Mr John Maltby. Mr Urquhart has been group chief executive.

"Recognising the dominance of Castrol within the organisation we felt it should be given its place," he said.

The management changes involve the merging of the previously separate head offices of the Burmah group and Castrol, which Burmah acquired 24 years ago. Much of the rest of Burmah's business has been shed in the interim while Castrol as accounted for most of the company's growth in recent years.

Under a unified central office, Burmah's business will have three divisions: lubricants, chemicals and fuels. Shipping and energy investments are unaffected by the changes.

Mr Jonathan Fry, Castrol chief executive, becomes group managing director looking after the day-to-day operations. Mr Brian Hardy, Castrol finance director, will become finance director for the whole group.

Mr Urquhart denied that the changes were in any way a defence against SHV, the private Dutch group, which holds a 9.14 per cent stake.

"With a company which is simplified and easier to understand, we are more rather than less susceptible to predatory action," he said.

He also said Burmah was under no pressure to sell its near-30 per cent stake in Premier Consolidated Oilfields, the independent oil company. Premier shares were recently hit when Mr Maltby made remarks which some analysts interpreted to mean that Burmah would sell the shares in small parcels.

Mr Urquhart said an option had been under discussion in which Burmah might sell 20 per cent of Premier and retain a 10 per cent stake. However, while confirming that Burmah was a long-term seller of the stake, he said Burmah would not deliver Premier into the hands of a predator and would wait for the right deal.

NEWS DIGEST

Jas Crosby bucks trend with £4.31m

JAMES CROSBY Group, a housebuilder with its core activities in the north west, turned in record figures for the year ended March 31 1990.

Mr Michael Burgess, chairman, said he had considerable optimism for the future of the north in spite of the slowdown in the housing market.

Turnover rose 4.7 per cent, from £16.99m to £17.79m, while pre-tax profit increased 4.4 per cent to £4.31m, against £4.12m.

Interest charges of £882,000 (£738,000) were covered 5.9 times by operating profit.

Earnings for the year were 25.72p (24.27p) per share. The final dividend is 2.5p for a total of 3.75p (3.5p).

Profits tumble at de Morgan Group

Pre-tax profit of de Morgan Group, the specialist property investor and finance adviser, slumped to £414,000 in the 55 weeks ended April 30 1990, from the £2.38m of the previous year.

No final dividend is recommended, leaving the 1.375p interim as the only payment. Previously there was an interim of 1.25p and a final of 2.85p.

Turnover came to £5.1m (£4.8m). Diluted earnings were 1.96p (8.03p).

Windsor expects £900,000 write-down

Windsor, the insurance broker, said it expected a £900,000 write-down in the value of its investment in Commercial Holdings, a subsidiary acquired in December 1989.

Mr Stan Taylor, chairman, said that Commercial Holdings, of which Windsor owns 75 per cent, had a network of franchisees acting as brokers for mortgages and loans.

He had known Commercial Holdings had certain problems, which Windsor hoped to remedy, when it bought the company last year.

In the event, an internal inquiry by Windsor had concluded that there was small possibility of a recovery in Commercial Holdings' trading position.

Windsor is contemplating litigation over the circumstances of its original investment.

Property sale will reduce Norton's debt

Norton Group, the motorcycle and engine manufacturer, has conditionally agreed to sell seven properties in north London for £4.9m. They are being bought by Frogmore Estates, the property development company.

Norton had originally agreed to sell the properties to Mr Simon Fussell, its former chairman, for more than £11m. Mr Fussell was chairman of Minty, an Oxford furniture maker which Norton reversed into last June to gain its full listing. He resigned as part of the deal which brought the two companies together.

Mr Fussell's company, Waterbay, did not complete a contract to buy three of the properties at the end of last year. Norton said it had been advised that because of the unfavourable state of the market, the properties were unlikely to fetch more than the amount offered by Frogmore within a reasonable time.

Mr Philippe Le Roux, Norton chairman, said the proceeds of the sale would be used to reduce group borrowings. Norton will publish its results for the year to April 30 on Thursday.

AFI returns to its roots

By Andrew Hill

Amalgamated Financial Investments is returning to its 50-year-old roots as a minerals group, paying £3.6m in cash and shares for two North Wales collieries and just over half of Sacramento Resources, a gold-mining company.

The investment company, which was at the centre of a struggle for boardroom control last year, bought the other half of Sacramento for £2.4m in December.

None of the mines is yet producing minerals, although AFI expects coal extraction from the Welsh collieries to begin in early 1991, and production is expected to begin later this year at the Bolivian gold-mine which is Sacramento's principal asset.

AFI, which began life in 1939 as Amalgamated Tin Mines of Nigeria (Holdings), is to issue 12.8m new shares to the vendors of the minerals interests, putting a value of 15p on each share compared with a suspension price of 6p.

The group will also sell most of its existing investments at a loss of £1.7m. If it gains shareholder approval for the purchases, AFI will apply to be listed as a mining company and the shares will emerge from suspension.

FINANCIAL TIMES CONFERENCES

WORLD AEROSPACE AND AIR TRANSPORT TO THE YEAR 2000 AND BEYOND
28, 29 & 30 August - London

Over the past several years the Financial Times has arranged a major conference immediately prior to the biennial Farnborough International Air Show. This year the meeting is supported by the Society of British Aerospace Companies.

The conference will focus on the massive growth in passenger and cargo traffic and assess the impact of this growth and the considerable demands it is imposing on all the existing facilities of commercial aviation. A special feature of the conference will be a day devoted to an assessment of the revolution taking place in aerospace research and developments and the continuing need for co-operating and collaboration in European aerospace.

WORLD MOBILE COMMUNICATIONS
24 & 25 September - London

Mobile communication services today are in very front line of innovation in telecommunications. Mobile networks are increasingly being seen not only as a means of providing reliable communications to users on the move but also as a means of bypassing traditional fixed-link communications. In Eastern Europe cellular telephone systems could provide a rapid way of setting up a modern telecommunications infrastructure.

The increasing number of new mobile services and the growing potential for competition between them present operators, manufacturers and users with difficult choices. This third Financial Times conference will provide an opportunity for in-depth, high level discussion of the crucial issues.

POLLUTION MANAGEMENT
2 & 3 October - Birmingham

This Financial Times conference will look at the commercial opportunities arising from growing internation–al interest in arresting and reversing present threats to the environment. It will focus on the industries which have made a major commitment to pollution control rather than on fashionable global problems such as ozone depletion and the 'greenhouse effect'. It will demonstrate that technology still has much to offer pollution management.

Speakers include: David Heathcoat - Amory MP, Parliamentary Under - Secretary of State, Department of the Environment; Dr Wilfred Beckerman, Fellow, Balliol College, Oxford; Dr William L Wilkinson CBE, FRS, Deputy Chief Executive, British Nuclear Fuels plc; Dr Hans Krämer, Chairman of the Executive Board, Steag AG; Basil R R Butler, Managing Director, The British Petroleum Company plc and Dr John Bowman CBE, Chief Executive, National Rivers Authority.

All enquiries should be addressed to:
Financial Times Conference Organisation
126 Jermyn Street, London SW1Y 4UJ
Tel: 071-925 2323 (24-hour answering service)
Telex: 27347 FT CONF G Fax: 071-925 2125

MONTHLY AVERAGES OF STOCK INDICES

	June	May	April	March
Financial Times				
Government Securities	79.47	77.25	76.00	77.06
Fixed Interest	88.03	86.28	85.51	86.66
Ordinary	1905.0	1757.4	1719.0	1772.0
Gold Mines	181.3	217.4	244.6	263.0
SEAQ Bargains(4.45pm)	27,123	25,179	24,461	26,302
F.T.-Actuaries				
Industrial Group	1190.69	1108.75	1091.63	1117.98
500 Share	1285.08	1204.85	1188.16	1219.10
Financial Group	811.02	771.13	781.48	794.04
All-Share	1170.73	1100.35	1087.87	1115.82
FT-SE 100	2377.0	2230.6	2191.3	2249.5

	June High	June Low
Ordinary	1933.2 (13th)	1877.9 (11th)
All-Share	1183.41(13th)	1158.15(11th)
FT-SE 100	2405.4 (13th)	2348.8 (11th)

This announcement appears as a matter of record only

South West Water

(Lessee)

£150,000,000

Finance Leasing Facility
for Water and Sewage Equipment

provided by a subsidiary of

BARCLAYS MERCANTILE
Business Finance

(Lessor)

The undersigned acted as advisor to South West Water on this transaction

BABCOCK & BROWN

July 1990

This announcement appears as a matter of record only.

Eni International Bank Limited
(Incorporated with limited liability under the laws of the Commonwealth of the Bahamas)

U.S. $400,000,000
Euro-Commercial Paper and Certificate of Deposit Programme

Unconditionally and Irrevocably Guaranteed by

Eni International Holding B.V.
(Incorporated with limited liability under the laws of The Netherlands)

Rating
Moody's Investors Service, Inc. P-1
Standard & Poor's Corporation A-1+

Dealers

Chase Investment Bank
Citicorp Investment Bank Limited
Eni International Bank Limited
Goldman Sachs International Corp.
Shearson Lehman Hutton International, Inc.
Swiss Bank Corporation

COMMODITIES AND AGRICULTURE

Norway orders oilfield workers to end stoppage

By Karen Fossli in Oslo

THE NORWEGIAN Government stepped in yesterday to end a strike over wages that had brought the country's oil industry almost to a halt at the weekend.

Production from 23 offshore oil and gas platforms could be back in full swing by mid-week following forced arbitration by the centre-right Government that ordered 4,000 workers to end their stoppage.

However, leaders of the striking workers were due to meet last night to decide on their response to the Government's action.

Norway, western Europe's second biggest crude oil producer, after Britain, and its third biggest gas producer, pumps about 1.7m barrels of oil a day and just over 2bn cu m of gas a month. By yesterday, however, crude oil production had shrunk to 22,000 b/d from the Petrojarl floating production ship where workers were not involved in the strike. At London's International Petroleum Exchange Brent crude futures for August delivery opened 69 cents higher at $16.83 a barrel but fell by 53 cents on news of the Norwegian move. On the spot market August Brent closed off 42½ cents at $15.87½.

Mr Johan J. Jakobsen, the Local Government and Labour Minister, who is currently acting prime minister while Mr Jan P. Syse, the Conservative Prime Minister is on holiday, called the strike a national crisis and convened an emergency cabinet meeting which invoked a special law – called provisorisk anordning – which is used only when the Storting (Norway's parliament) is not in session, to rule the strike illegal.

"The Government has put major emphasis on the fact that the conflict seems to be very locked," Mr Jakobsen said. At the weekend there were at least 12 points of disagreement between the two sides.

Norway stood to lose some NKr200m (£18m) in export earnings and up to NKr170m in budget revenues for every day the strike lasted. Oil products account for about a quarter of the country's gross domestic product.

"When a country over a long period loses one quarter of (its) income then there is no doubt that such a situation would relatively soon influence vital parts of the country," Mr Jakobsen added.

OFS, the oil workers' union, had earlier warned that the strike could be the longest ever if its demands for a 4.25 per cent pay rise, the right to free wage talks and improved conditions were not met.

Employers had offered a pay deal which was in line with a nation-wide 4 per cent agreement reached earlier this spring between LO, Norway's biggest trade union, and NHO, the Confederation of Business and Industry.

Norway's Government has intervened in five previous strikes affecting petroleum production; the last time in 1986 to end a 19-day strike in which the country lost some NKr2bn in earnings.

Besides adversely affecting Norway's oil-dependent economy, a strike interfering with petroleum production also undermines the country's ability to fulfil contracts to export natural gas to a number of European buyers, including Britain.

Norway is currently holding negotiations with several countries to supply gas. "The Government has also put emphasis that Norway is in the middle of important gas negotiations and that Norway's image and how Norway is perceived as a reliable gas supplier in the future is also part of our considerations," Mr Jakobsen explained.

Previous supply disruptions prompted West German buyers that had signed on for gas from the giant Troll and Sleipner fields, to demand as part of their contract that underground storage facilities with capacity for two weeks supply be built by Norway.

Venezuela 'to stay in Opec'

By Joseph Mann in Caracas

PRESIDENT CARLOS Andres Perez of Venezuela's has firmly rejected suggestions that his Government was planning to quit the Organisation of Petroleum Exporting Countries, or that PDVSA, the national oil company, was exceeding its Opec production quota of 1.945m barrels per day.

Speaking in Caracas at the weekend, Mr Perez – a staunch defender of third world initiatives – reiterated his support for the organisation, stating: "At no time has there been any intention to alter our policy of remaining in Opec." He added: "We are fighting to obtain full discipline" among Opec members on production quotas, and thus "we can hardly be viewed as supporting any lack of compliance."

The president's comments came in response to a weekly opinion column carried by a Caracas daily, El Nacional, which said that top executives of the national oil company disagreed with the Government's oil policy and wanted Venezuela to leave Opec. The column stated that Venezuela's interests had been harmed over the years since other members of Opec regularly violated production quotas. It also said that Venezuela was currently exceeding its own quota.

Government figures for the first three months of 1990 put Venezuela's crude oil output at 1.945m b/d, not including production of condensates and natural gas liquids. Oilmen here say privately that the country's monthly production may vary more than official figures indicate, but that Venezuela is in fact conscientious about remaining within Opec guidelines.

The newspaper column caused an uproar in the Government – which sets policy guidelines for the national oil company – in PDVSA and in the Venezuelan press.

In fact, some executives at PDVSA feel that Venezuela would be far better off if it left Opec, since it could produce more oil and take greater advantage of market opportunities. However, PDVSA's managers adhere to policy lines set by Ministry of Energy and Mines, including areas such as production quotas, even though they may disagree with them.

The debate over Venezuela's presence in Opec, of which it was a founder-member, clearly reflects bitterness among PDVSA managers over the constant cheating by other members of the organisation, and over the fact that Venezuela's relative share of production quotas has declined over the years.

But while it actively supports Opec, the Perez Government is working to reverse Venezuela's declining role within the organisation by boosting proved reserves of crude oil and raising crude production and refining capacity.

With proven oil reserves of over 59bn barrels, Venezuela already has the largest reserves in the western hemisphere. It is investing to raise this figure to 70bn barrels by 1995. Moreover, these reserve figures do not include the country's huge deposits of heavy oil and bitumen, which are the largest in the world.

The Government also plans to raise crude output potential from the current 2.758m b/d to over 3.5m b/d by mid-decade, further increasing Venezuela's weight within Opec at a time when reserves of some other members are falling.

Mexico gives mining reforms high priority

Richard Johns on plans to privatise most of the country's minerals sector

THE MEXICAN Government is preparing legislation to increase the participation of private and foreign capital in the development of the country's mineral reserves – the life-blood of its economy until very recent historical times.

Belatedly introducing the 1990-94 plan for the industry Mr Ernesto Zedillo Ponce de Leon, Minister of Planning and the Budget, said that "privatisation and reclassification of the mineral reserves constitute an urgent task."

At the same time Mr Fernando Hiriart Balderrama, Minister of Energy, Mines and State Industries last month also held out the prospect of an easing of the tax regime and a relaxation of "excessive regulation" which, he acknowledged, had adversely affected the Mexican mining industry's international competitiveness.

The programme also aims at the release for prospecting by the private sector of at least half the state-owned national mineral reserves totalling rather more than 5m hectares regarded as holding promise of commercial discoveries .

The Government announced at the end of April that 600,000 hectares would be made available this year and it has said again that it will tighten up on concession commitments – too much of the land leased has been left untouched by speculators including big mining companies, officials say.

Oil and uranium – classified as "strategic" – will definitely not be affected by any amendment to the Minerals Law of 1975, which defines two other categories as far as foreign investment is concerned.

Under existing legislation foreign participation is limited to a maximum of 34 per cent for "priority minerals" – coal, iron, rock phosphate, sulphur and potash. For ventures involving exploitation of other minerals – ferrous and non-ferrous – shareholdings are limited to 49 per cent.

Apart from the "priority minerals", in its privatisation programme the Government has virtually completed its disposal of mining properties. Now that the bid from a group led by Ingenerios Civiles Associados and entrepreneur Mr Bernardo Quintana Jr, with a knock-down offer of $468m (including a 50 per cent debt-equity swap element), for Compania Minera de Cananea seems almost certain to be accepted by the Government, the only major state-owned mineral property to be disposed of is Minera Autlan, the manganese mining enterprise in the state of Hidalgo which Japanese concerns are said to have an eagle-eye upon".

There is also speculation about the future ownership of Exportadora de Sal, believed to be the world's biggest salt producer, which is 51 per cent owned by the state Mexican Mining Development Commission and 49 per cent by the Mitsubishi Corporation.

No indication is given in the plan published last month of what kind of fiscal incentives might be given to the industry. However, the present Administration – with special preference to silver and gold – has already cut the production tax, or royalty previously set at 7 per cent of profits, and announced that it will be phased out altogether over the next three years.

Like other businesses, mining companies will pay 36 per cent corporation tax as well as 2 per cent on fixed assets. But mining companies complain that they bear a large burden of infrastructure and social costs – including schools and medical care – where they operate in remote areas.

MEXICAN MINERAL PRODUCTION (tonnes)

	1989
Gold	9
Silver	2,306
Copper	242,655
Zinc	281,297
Lead	162,837
Coal and derivatives	6.46m
Iron ore	5.37m

Source: Mexican Institute for Statistics, Geography and Information.

The industry recognises that one positive aspect of the somewhat vague programme is the commitment to draw up a national inventory of known mineral resources incorporating the known results of past exploration.

Mexico's mining development plan aims at a growth of 2.2 to 2.6 per cent in 1990-91 increasing to 4.5 to 5 per cent in the 1992-94 period. The targets are strictly indicative, however, with declining state involvement and investment in the sector.

Earlier this year a total investment in the sector of US$2.1bn in the 1990-94 period was projected in a mining investment programme submitted to the Government by Mr Jaime Lomelin, president of Mexico's Chamber of Mines and director-general of Industrias Penoles.

Mr Lomelin had previously said that the figure was based on confidential information submitted to the chamber by the country's 30 largest mining companies. He said that the industry was greatly reassured by the positive attitude of the Government – to an economic sector hitherto generally regarded, like the state-owned petroleum industry as a milk-cow.

Only about 8.5 per cent of projective investment was expected to be spent by the state to provide raw materials for its steel holding company Sidermex for raw materials required by its subsidiaries Altos Hornos and Siderugica Lazaro Cardenas-Las Truchas – which subsequently and somewhat problematically have been put up for sale to the private sector and foreign investors.

Before that announcement Mr Lomelin said that the $2.1bn capital commitment envisaged would be double the amount spent in the previous five years.

Penoles claims to be the world's largest single corporate silver producer – with an output of 1,478,071 kg (47.5m troy ounces) in the group's last financial year, ending November 30 – and the biggest in Mexico in mineral sales ahead of the more diversified Grupo Industrial Minera Mexico, Empresas Frisco, and Corporacion Industrial San Luis. Together the Mexican "big four" account for about 80 per cent of the country's mineral production.

Mexico's national programme for the industry, typical of the vapid waffle still characteristic in an essentially one-party corporate state, albeit one now motivated by the slogan "modernisation", pays lip-service to the financing problems – enormous interest rates for those who can only borrow in pesos – of small and medium-sized explorers and producers.

Nevertheless, it shows a genuine regard for a sector without which, arguably, the United States of Mexico would never have come into being given the Spanish Conquistadores' greed for gold and silver. They had, of course, no notion of the potential value of strontium and fluorite, of which Mexico happens to be the world's leading producer.

Yet the giants of the industry like Penoles seem greatly reassured by the approach of President Carlos Salinas de Gortari's Administration towards revitalising – whatever the vagaries of international prices – a historically emotive business.

After all, historians are agreed that it was the decision in 1906 by Mr William C. Green, the then "Gringo" owner of the Cananea copper mine, to call in the Arizona Rangers to suppress a strike that was a major cause of the subsequent revolution. That, in turn, was also a major expression of resentment against foreign investment.

So the vagueness of a document on a still sensitive issue is understandable and also the delay in its presentation – the last sectoral programme to be produced by the Salinas regime apart for the one for the agricultural disaster zone. But the commitment to help salvage the economy on the minerals front is clearly genuine.

Reports lift US soya prices

By Barbara Durr in Chicago

SOYABEAN FUTURES prices at the Chicago Board of Trade have shot up following two reports that painted an adverse picture for the crop. Soyabean prices rose 16½ cents for the current July contract at the end of last week and in mid-morning trading yesterday they had gained another 14 cents.

The US Department of Agriculture said last week that fewer acres than expected had been planted with soyabeans. Analysts had been estimating that 59.6m acres were planted, but the department put the the figure at 58m acres. Heavy rains during the last few months have impeded plantings.

Weather is also becoming the driving force in the market. A severe heat wave that last week hit the American south-west, hurting cotton crops there, is expected to move into the mid-west this week and next.

Mr Richard Feltes, director of research in Chicago for Refco, the world's largest futures commission merchant, said that in addition to fewer acres being planted there was now a threat of significantly lower soyabean yields because of the heat. "It's an adverse situation," he said and added that the next two weeks would be critical for the market outlook.

The market is reacting strongly in part because, before the USDA acreage report, the conventional wisdom held that farmers would substitute soyabeans for maize, the most important US crop. The substitution was expected because steady rains had delayed all plantings, but soyabeans can be put in later in the season than maize.

Instead, farmers planted more maize than expected. The department calculated that 74.5m acres had been planted with maize, compared with an average of analysts estimates of 73.9m acres. None the less, maize futures are also rising on reports of severe heat. In mid-morning trading on Monday, the price of the prompt contract had risen more than 3 cents to reach a high of $3.

Grain analysts believe that unfavourable weather could mean a significant revision of the agriculture department's crop figures later in the summer. The department based its estimates last week on a survey undertaken between June 1 and June 15.

● Romania may export wheat and maize this year if expectations of a good harvest ar fulfilled, according to Mr Theodor Stolojan, the Finance Minister, reports Reuters from Bucharest. "According to my information, it will be a very good grain harvest," he said, "better than last year."

Oversupply keeps Baltic Freight Index in retreat

By David Blackwell

THE BALTIC Freight Index (BFI), indicator for dry cargo freight futures, continued the precipitate retreat of the past four months yesterday.

Yesterday the index shed a further 7 points to 1,082, and freight futures on the Baltic Futures Exchange closed below 1,000 for the July and August contracts. The index was started at 1,000 in January 1985; at the beginning of March this year it was above 1,600.

The futures market has been hit on both the supply and demand fronts. The normal spring rally failed to materialise as the Soviet Union (which has suffered foreign exchange problems), China and India were not moving as much grain as had been expected. Steel production has declined in Western Europe and the US and is stagnant in Japan – resulting in falling demand for iron ore. Coal is proving difficult to sell while the world is awash with cheap oil.

At the same time, according to Mr Matthew Frank of brokers GNI, Panamax ships (capable of carrying 52,000 tonnes of grain) will continue to come out of the shipyards at the rate of one a week for the rest of the year. Mr Philippe van den Abeele, of brokers Clarkson Wolff, said yesterday that since January the bulk and ore carrier fleet's capacity had increased by 3.5m tonnes.

Mr Frank believes the market will bottom out when the index reaches 1,000; Mr van den Abeele believes the index will fall this year to between 800 and 850. "There are too many ships, and if the Soviets have a good harvest there might not be enough business to absorb this year's excess capacity," he said.

WORLD COMMODITIES PRICES

MARKET REPORT

COPPER prices shed some of Friday's sharp advance on the LME yesterday in spite of weekend news of strike action at Asarco's Ray mine. However, the market remains cautious against a background of possible disruption in Zambia and Zaire and low LME warehouse stocks. Zinc prices were also lower, although a strike at Noranda's Bathurst mine, which sends zinc concentrates to Europe, gave early stability. News that Cominco's labour talks were making progress and had continued through the end of a contract expiry may have aided the downturn. Lead prices were also easier. On the London bullion market gold was marked up early, influenced by New York's firmness on Friday, but no significant follow-through emerged. Robusta coffee recovered from 4½-month lows to close little changed from Friday. Dealers noted with some surprise a Brazilian proposal for talks later this month at the International Coffee Organisation – a move which seemed in stark contrast to the country's previously hostile stance towards an economic pact. London cocoa prices were spurred higher by New York, where prices had penetrated resistance levels by midsession.

Compiled from Reuters

London Markets

SPOT MARKETS

Crude oil (per barrel FOB)		+ or -
Dubai	$13.55-3.65w	-0.25
Brent Blend	$15.85-5.90w	-.425
W.T.I. (1 pm est)	$16.82-6.84w	-0.41
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$232-234	+7
Gas Oil	$145-147	-1
Heavy Fuel Oil	$62-64	
Naphtha	$143-145	
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$357.5	+4.75
Silver (per troy oz)♣	485c	+11
Platinum (per troy oz)	$487.4	+4.5
Palladium (per troy oz)	$116.8	+2.55
Aluminium (free market)	$1530	-20
Copper (US Producer)	119c	+5.5
Lead (US Producer)	49c	+8
Nickel (free market)	400c	-5
Tin (Kuala Lumpur market)	16.33r	
Tin (New York)	282c	+3
Zinc (US Prime Western)	87.5c	
Cattle (live weight)†	108.02p	+1.58*
Sheep (dead weight)†	154.82p	+8.72*
Pigs (live weight)†	97.03p	-6.58*
London daily sugar (raw)	$317.1t	+3.8
London daily sugar (white)	$401.5t	+1.0
Tate and Lyle export price	£291.5	-1.6
Barley (English feed)	£109	
Maize (US No. 3 yellow)	£158	
Wheat (US Dark Northern)	£120	
Rubber (Aug)♥	53.75p	-0.75
Rubber (Sep)♥	54.25p	-0.75
Rubber (KL RSS No 1 Jul)	233.0m	-1.0
Coconut oil (Philippines)§	$320t	
Palm Oil (Malaysian)§	$285	+2.5
Copra (Philippines)§	$217.5q	
Soyabeans (US)	£158t	+1.5
Cotton "A" index	91.15c	+0.10
Wooltops (64s Super)	480p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. q-Jul. t-Jul/Aug. u-Oct/Dec v-Jun/Jul. w-Aug z-Aug/Sep y-Sep. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

SUGAR – London FOX ($ per tonne)

Raw	Close	Previous	High/Low
Aug	297.00	287.00	299.00 288.00
Oct	295.00	284.40	297.00 285.20
Dec	298.00	280.00	283.00 283.00
Mar	281.00	273.00	281.00 274.00
May	281.00	268.00	277.20 274.00
Oct	276.00	271.00	276.00 270.00
White	**Close**	**Previous**	**High/Low**
Aug	400.0	391.0	399.5 391.2
Oct	371.0	362.5	371.0 363.0
Dec	365.0	358.5	365.0 358.0
Mar	360.0	350.0	360.0 353.0
May	357.5	346.3	355.5 352.0
Aug	357.5	347.5	354.0 351.5
Oct	346.0	337.0	345.0 340.0

Turnover: Raw 4886 (4111)lots of 50 tonnes. White 1855 (1805)
Paris- White (FFr per tonne): Aug 2205, Oct 2059 Dec 2036, Mar 2020, May 2015

CRUDE OIL – IPE ($/barrel)

	Latest	Previous	High/Low
Aug	15.88	16.18	16.83 15.80
Sep	16.23	16.53	17.10 16.16
Oct	16.55	16.90	16.60 16.55
Nov	16.80	16.90	16.80
IPE Index	16.24	15.83	

Turnover: 4445 (11380)

GAS OIL – IPE ($/tonne)

	Latest	Previous	High/Low
Jul	144.75	145.50	148.25 144.75
Aug	145.25	146.50	150.00 145.00
Sep	146.75	147.75	151.00 146.75
Oct	150.00	152.00	152.00 150.00
Nov	152.75	154.00	154.50 152.75
Dec	154.00	156.00	156.50 154.00
Jan	155.00	156.50	155.00 154.25

Turnover 7408 (7465)lots of 100 tonnes

TEA

There were 28,178 packages were on offer at this weeks auction including 7,800 offshore, reports the Tea Brokers' Association. There was good but selective demand. Bright liquoring Africans attracted strong competition at dearer rates. Plainer teas proved irregular and generally lower with dusts a weak feature. Ceylons met less support at a drop of 5-10p/kilo where sold. There was limited enquiry for offshore teas and prices were easier. Quotations: quality 250p nominal (230p), medium 120p (118p), low medium 75p (77).

COCOA – London FOX (£/tonne)

	Close	Previous	High/Low
Jul	784	748	776 749
Sep	794	773	802 774
Dec	824	800	829 803
Mar	846	823	851 827
May	866	841	871 848
Jul	884	862	882 882
Sep	903	881	910 888

Turnover: 6157 (6161) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Jun 29 986.64 (983.74) 10 day average for Jul 2 994.70 (996.34)

COFFEE – London FOX (£/tonne)

	Close	Previous	High/Low
Jul	539	546	538 531
Sep	565	567	565 558
Nov	586	591	585 580
Jan	606	608	607 600
Mar	623	625	624 619
May	642	643	641 640
Jul	658	661	662 661

turnover: 6614 (6842) lots of 5 tonnes
ICO indicator prices (US cents per pound) for June 29: Comp. daily 66.41 (67.19). 15 day average 66.90 (69.28)

POTATOES – BFE (£/tonne)

	Close	Previous	High/Low
Apr	105.5	109.5	107.5 104.5
May	117.5	123.5	118.0 117.0

Turnover 211 (377) lots of 40 tonnes.

SOYABEAN MEAL – BFE (£/tonne)

	Close	Previous	High/Low
Oct	119.00	116.00	119.00 118.00

Turnover 70 (60) lots of 20 tonnes.

FREIGHT FUTURES – BFE ($10/index point)

	Close	Previous	High/Low
Jul	994	1000	998 985
Aug	986		995 990
Oct	1075	1085	1075 1070
Jan	1095	1110	1100
Apr	1100	1125	1110
BFI	1082	1089	

Turnover 136 (144)

GRAINS – BFE (£/tonne)

Wheat	Close	Previous	High/Low
Sep	112.05	112.25	112.05
Nov	116.25	116.35	116.25 116.00
Jan	120.25	120.45	
Barley	**Close**	**Previous**	**High/Low**
Sep	110.50	110.75	110.50
Nov	114.95	115.10	114.90
Jan	118.30		118.30
Mar	121.50	121.70	121.50

Turnover: Wheat 58 (48), Barley 25 (69).
Turnover lots of 100 tonnes.

PIGS – BFE (Cash Settlement) p/kg

	Close	Previous	High/Low
Aug	118.0	121.8	121.0 118.0
Sep	115.0		116.0
Oct	116.0	118.8	116.0 115.0
Nov	113.5		114.0 113.0

Turnover 70 (58) lots of 3,250 kg

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open Interest
Aluminium, 99.7% purity ($ per tonne)					Total daily turnover 10,104 lots	
Cash	1530-3	1557-9	1532/1530	1529-30		
3 months	1556-7	1579-80	1572/1561	1554-5	1554-5	45,934 lots
Copper, Grade A (£ per tonne)					Total daily turnover 28,769 lots	
Cash	1497-9	1533-5	1500/1499	1500-1		
3 months	1465-6	1497-8	1479/1461	1468-9	1461-3	80,678 lots
Lead (£ per tonne)					Total daily turnover 2,233 lots	
Cash	516-8	522-4	518	517-8		
3 months	513-4	517-8	518/512	513-4	511-2	10,348 lots
Nickel ($ per tonne)					Total daily turnover 2,182 lots	
Cash	8590-610	8700-40	8600/8590	8590-600		
3 months	8625-30	8725-50	8700/8575	8600-1	8600-25	8,414 lots
Tin ($ per tonne)					Total daily turnover 1,119 lots	
Cash	6020-30	5950-80	5990/5965	5980-5		
3 months	6145-50	6080-100	6160/6080	6105-10	6165-70	4,962 lots
Zinc, Special High Grade ($ per tonne)					Total daily turnover 4,007 lots	
Cash	1715-7	1755-7	1720/1705	1700-5		
3 months	1630-3	1665-8	1680/1625	1625-7	1635-40	18,854 lots

LME Closing £/$ rate:
SPOT: 1.7610 3 months: 1.7290 6 months: 1.7043 9 months: 1.6832

LONDON BULLION MARKET

Gold (fine oz)	$ price	£ equivalent
Close	357¼-357¾	202¾-203¼
Opening	357-357½	203½-204
Morning fix	357.10	203.244
Afternoon fix	357.40	203.128
Day's high	358-358½	
Day's low	356¼-356¾	
Coins	**$ price**	**£ equivalent**
Maple leaf	365-370	207-210
Britannia	365-370	207-210
US Eagle	365-370	207-210
Angel	365-370	207-210
Krugerrand	357-360	203-205
New Sov.	83-85	47-48½
Old Sov.	83-85	47-48½
Noble Plat	493.25-501.05	280.50-284.95
Silver fix	**p/fine oz**	**US cts equiv**
Spot	279.25	490.75
3 months	289.55	500.85
6 months	300.10	511.40
12 months	320.00	532.80

TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	July	Sep	July	Sep
1450	89	111		7
1550	3	43	13	37
1650		10	110	103
Copper (Grade A)	**Calls**		**Puts**	
2500	130	121		40
2600	35	69	5	95
2700	1	35	70	160
Coffee	**Sep**	**Nov**	**Sep**	**Nov**
500	69		5	
550	34	61	20	25
600	14	35	50	48
Cocoa	**Sep**	**Dec**	**Sep**	**Dec**
750	64	109	21	35
800	38	79	43	58
850	20	53	77	85
Brent Crude	**Aug**	**Sep**	**Aug**	**Sep**
1600	34		35	45
1650	26	20		
1700	13	46		

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Jul	358.8	357.9	358.7	358.0
Aug	360.8	359.9	361.3	359.5
Sep	362.9	362.0	362.5	362.3
Oct	365.1	364.1	365.0	363.8
Dec	369.5	368.5	370.0	367.8
Feb	374.0	373.0	374.5	373.2
Apr	378.3	377.4	378.0	377.5
Jun	382.9	382.0	383.6	382.8
Aug	387.4	386.5	0	0

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Jul	485.3	486.1	487.0	485.0
Aug	489.7	0	494.5	494.5
Oct	494.5	493.9	496.5	493.6
Jan	500.2	499.6	502.0	501.0
Apr	505.3	504.7	506.0	0
Jul	510.7	510.1	0	0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Jul	493.5	488.7	497.5	489.0
Aug	497.1	492.3	0	0
Sep	501.0	496.3	506.5	495.5
Dec	512.3	507.3	518.0	507.5
Jan	515.5	510.4	0	0
Mar	523.1	517.8	529.5	521.5
May	530.5	525.1	533.0	530.0
Jul	538.0	532.5	538.5	536.5
Sep	545.9	540.3	0	0
Dec	557.2	551.5	557.5	557.5

HIGH GRADE COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jul	114.10	115.45	116.00	114.10
Aug	114.00	114.70	114.10	114.10
Sep	112.90	114.00	114.75	112.60
Oct	112.00	112.30	112.00	112.00
Nov	110.25	110.65	110.25	110.25
Dec	108.60	109.30	109.60	108.30
Jan	106.90	107.90	0	0
Mar	103.90	105.00	104.00	104.00
Apr	103.10	104.15	0	0
May	101.90	103.00	102.00	102.00

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Aug	16.77	17.07	17.30	16.77
Sep	17.43	17.72	17.90	17.43
Oct	18.00	18.26	18.37	17.99
Nov	18.36	18.56	18.65	18.40
Dec	18.65	18.81	18.88	18.63
Feb	18.90	19.04	19.07	18.90
Apr	19.08	19.16	19.20	19.08

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
Aug	4650	4662	4685	4630
Oct	5105	5135	5155	5105
Nov	5230	5263	5285	5230
Jan	5370	5391	5430	5370
Apr	5030	5036	5035	5025
May	4930	4930	4930	4925

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Jul	1284	1221	1286	1230
Sep	1309	1246	1317	1258
Dec	1342	1278	1347	1296
Mar	1376	1304	1380	1331
May	1402	1326	1402	1362
Jul	1420	1340	0	0
Sep	1440	1366	0	0

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Jul	84.15	82.90	85.00	82.65
Sep	86.85	85.60	87.80	84.90
Dec	90.05	88.75	90.75	88.30
Mar	93.30	91.75	93.40	91.25
May	95.00	93.35	95.00	93.75
Jul	97.75	95.55	97.75	95.00
Sep	100.25	98.55	99.50	99.50

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jul	12.61	12.21	12.42	12.42
Oct	13.26	12.77	13.36	12.81
Mar	12.86	12.32	12.73	12.62
May	12.62	12.30	12.75	12.43
Oct	12.43	12.09	12.43	12.33

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Jul	87.87	87.20	88.00	87.00
Oct	78.25	78.23	79.25	78.45
Dec	75.23	74.58	75.25	74.75
Mar	75.55	75.15	75.70	75.20
May	75.84	75.28	75.75	75.40
Oct	70.90	70.63	70.90	70.90

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jul	190.40	186.35	190.40	188.00
Sep	177.65	175.65	178.50	175.50
Nov	167.80	165.00	167.90	165.00
Jan	160.60	160.00	161.40	160.50
Mar	160.20	159.65	161.00	161.00
May	159.70	159.10	0	0
Jul	159.70	159.10	0	0

INDICES

REUTERS (Base: September 18 1931 = 100)

Jul 2	Jun 29	mnth ago	yr ago
1662.4	1655.6	1698.7	2021.6

DOW JONES (Base: Dec. 31 1974 = 100)

	Jun 28	Jun 27	mnth ago	yr ago
Spot	132.67	131.81	-	132.90
Futures	132.45	131.81	-	131.37

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Jul	646/0	623/4	655/0	632/0
Aug	653/0	630/0	660/0	640/0
Sep	658/6	636/6	668/6	650/0
Nov	672/0	650/4	680/4	660/4
Jan	682/6	662/0	692/0	675/0
Mar	694/4	674/0	702/4	687/0
May	703/4	683/6	711/0	695/0

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Jul	25.67	24.85	26.00	24.92
Aug	25.61	24.75	25.75	25.00
Sep	25.55	24.62	25.62	24.90
Oct	25.45	24.58	25.56	24.85
Dec	25.28	24.48	25.46	24.70
Jan	25.15	24.31	25.31	24.60
Mar	25.00	24.06	25.06	24.55
May	24.90	23.91	24.91	24.65

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Jul	187.1	180.5	190.0	182.5
Aug	188.7	181.8	191.8	185.2
Sep	190.6	183.7	193.7	187.5
Oct	192.8	186.0	196.0	190.0
Dec	197.1	190.2	200.2	194.5
Jan	198.7	192.0	202.0	198.5
Mar	202.0	194.2	204.2	198.5
May	202.5	196.0	206.0	201.0

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Jul	296/2	295/4	302/2	296/2
Sep	290/2	289/4	297/0	289/4
Dec	290/2	287/6	296/4	289/4
Mar	296/2	294/2	302/4	295/4
May	300/4	298/4	306/4	300/0

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Jul	328/4	325/6	331/0	328/2
Sep	332/2	331/0	336/6	331/4
Dec	347/4	345/4	352/0	346/0
Mar	354/2	352/2	359/2	352/0
May	350/0	348/4	355/4	349/0

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Aug	72.80	73.07	72.92	72.22
Oct	75.30	75.26	75.60	74.75
Dec	75.32	74.80	75.40	74.66
Feb	75.22	74.67	75.32	74.42
Apr	76.15	75.77	76.20	75.62
Jun	73.15	72.90	73.35	72.60

LIVE HOGS 30,000 lb; cents/lbs

	Close	Previous	High/Low	
Jul	61.27	60.40	61.70	61.15
Aug	59.17	58.30	59.60	58.97
Oct	54.05	52.75	54.25	53.60
Dec	53.00	51.60	53.10	52.25
Feb	50.05	48.80	50.30	49.50
Apr	47.12	46.00	47.25	46.60
Jun	50.00	48.77	50.20	49.40

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
Jul	59.67	58.20	60.20	58.70
Aug	57.77	56.82	58.82	57.00
Feb	56.00	54.00	56.00	54.80
Mar	55.12	53.12	55.12	54.30
May	56.20	54.25	56.20	55.05

LONDON STOCK EXCHANGE

Retail sales revision upsets equities

UK EQUITIES made a slow start to the week, abandoning an early attempt to move forward as trading volume faded away in the face of fresh concern over the outlook for corporate profits. Hopes for relief from the burden of high interest rates in the UK were damped down by an unexpected upward revision in May's domestic retail sales.

The reverberations surrounding Friday's expiry in the futures markets continued to echo through the stockmarket. Traders repeated their complaints of the underlying danger of allowing the secondary market in futures to influence the primary market in equities to the degree reported on Friday morning.

Account Dealing Dates		
*First Dealings:		
Jun 25	Jul 9	Jul 23
Option Declarations:		
Jul 5	Jul 19	Aug 2
Last Dealings:		
Jul 6	Jul 20	Aug 3
Account Day:		
Jul 16	Jul 30	Aug 13

*New-time dealings may take place from 8.30 am two business days earlier.

There were signs initially that the new September futures contract, which started trading yesterday, might exercise a similar influence on the underlying Footsie stocks as did its predecessor, the June contract, during May and June.

The September contract started the day at a strong premium, which helped reverse an early fall in the FT-SE Index itself. But the premium faded away later and brought the Index back in its train. The futures contract closed with a premium of 75 points, although traders pointed out that some 50-55 of these represented "fair value," taking in the time span to expiry and pending dividend payments.

After gaining 9.5 points in early trading, the FT-SE Index turned back to show a net fall of 6.4 before managing to rally behind a firm opening on Wall Street which saw the Dow Average 12 points up in London trading hours.

The final reading showed the FT-SE at 2,372, a net loss on the day of 2.6 points. Seaq volume was very thin, with only 310.7m shares traded through the system, against 461.9m in the previous session. Yesterday was the opening of the second leg of the two-week trading account in equities. The first week saw share prices beginning to shade lower as optimism for early entry into the exchange rate mechanism of the EMS died away somewhat; however, a leading strategist in UK government bonds commented last weekend that the market is "absolutely confident that we will go into the ERM and interest rates will come down."

Concern over continued inflationary pressures in the UK were heightened by the announcement that the May retail sales figures had been revised to show a gain of 1.4 per cent. No upward re-rating had been expected in the stockmarket, which was discouraged by this reminder that domestic interest rates could still come under further upward pressures.

The latest round of downgradings of corporate profits by the brokerage analysts again focused on the problems in the property and construction sectors.

Surprise in sugar stocks

Berisford International fell to its lowest level for a year after Tate & Lyle announced it would not be bidding for the commodity and property group. Turnover in Berisford swelled to 3.6m and its shares fell 12 to 100p as investors worried that no other bidder was on the horizon.

Tate's decision not to go for Berisford comes only days before Berisford's interim results, when it is expected to announce large-scale provisions against its New York property interests. According to press reports, the provisions could be more than £150m.

Initially Tate rallied but then fell back following a further announcement that it had discovered certain marketing practices at its UK sugar business which may have broken competition laws. Tate ended the day 6 lower at 299p, having traded 1.8m.

However, many analysts were surprised Tate had fallen back so far. According to Mr Marcus Darville at County NatWest, the impact on Tate of having possibly contravened competition laws would be outweighed by its withdrawal from a bid for Berisford. "Tate has pulled out of a £1.2bn bid and on balance should have ended the day higher," he said.

Ratners rights

The announcement of a rights issue by Ratners, to buy Kay Jewelers of the US for $328.1m, caught some traders and analysts by surprise, despite having been talked of for many months.

Their reactions were mixed. The optimists pointed to Ratners' statement that the deal would be earnings neutral in the first year and earnings enhancing next.

Mr Tim Kirkwood at S.G. Warburg said the deal made sense in the longer term but that the company might have bitten off more than it could chew. Given the low level of profit at Kay, he said, a large and rapid uplift in margins would be required to avoid earnings dilution next year.

He recommended investors take up rights unless the market fell steeply, and incidentally changed his recommendation from a buy to "take profits" because of the stock's recent good run.

Ratners already operates the Sterling jewellery stores in the US and with the addition of Kay's 400 stores, it would operate about 970 outlets, making it a strong challenger to Peoples Jewellers as market leader in the US.

Ratners opened at the day's low of 258p, compared with Friday's close of 275p. The shares recovered to 266p but weakened again before the close to end at 264p. Trading was light.

C & W wanted

Cable & Wireless shares were given a big boost with leading agency broker James Capel said to have been a big buyer of the shares. Mr Stephen Owen, telecoms specialist at Capels, said the broker had published a note on Mercury, C & W's telecoms division, after carrying out its annual survey of the buying intentions of a large number of telecoms managers.

This revealed, said Mr Owen, that Mercury's business is expected to "increase dramatically over the next few years, which will feed into profits in coming years." A discounted flow calculation of Mercury's worth, carried out by Capel, is put at £4bn.

C & W shares easily outperformed the rest of the market, closing 11 higher at the day's best of 552p; turnover reached 2.3m shares.

Among the weaker features of the session, Trafalgar House, the construction group, fell sharply as attention was drawn by a UK securities house, to the still gloomy outlook for the depressed property market. This was the second securities house within a week to comment adversely on the group. Mr Andrew Mitchell, of Smith New Court, downgraded his forecasts for Trafalgar House for this year, and even more markedly for next year.

He believes group profits benefited in the first half of this year from several successful, but unexpected, disposals of commercial developments, but that such windfalls will be much harder to find next time round. He has downgraded his forecast for this year's profits from £260m to £235m, and for next year, from £280m to £225m. The shares fell 20 to 310p, with 3.6m traded.

There was a sympathetic dip in shares of P & O, down 8 at 650p as investors considered the outlook for Bovis, its building and construction division.

News that Glaxo had submitted its first product licence applications for sumatriptan, a treatment for migraine, to regulatory authorities in the UK and the US, came too late to affect trading in the shares in London.

US investors had been buyers all afternoon inspired, said traders, by the end of Glaxo's financial year at the weekend. The company uses a year-end exchange rate to calculate dollar earnings, so an element of uncertainty surrounding the stock had been removed. There had also been optimistic press comment at the weekend on the prospects for sumatriptan. Glaxo climbed 16, mostly after Wall Street opened, to 834p.

Renewed publicity given to the rising price of rhodium, an element related to platinum and with similar applications, helped Lonrho buck the market's trend. Last Friday the rhodium price reached $4,500 per troy ounce, up $450 from the previous day's record high and double that seven weeks earlier. Lonrho owns Western Platinum, the third largest platinum producer in South Africa.

There was strong support for Logica, the software house hit in recent weeks by a profits warning and a number of subsequent downgrades, after a visit by a party of electronics analysts to the group's Dutch operations based in Rotterdam. The trip proved "mildly reassuring," according to one participant, although he said a recovery in fortunes at the company "is still some way off." Logica shares settled 11 higher at 190p.

Also in the software sector, Sema held at 599p as French group Cap Gemini Sogeti confirmed it had been into the market and marginally increased its holding in Sema to 25 per cent.

Amstrad, sustained by recent news of its "double decker video recorder," put on 1½ more to 72p. Turnover was 1.8m.

GEC staged a modest late recovery, picking up from an earlier 194p to close a net 1½ better at 197p on turnover of 5.7m, despite growing nervousness over the group's preliminary figures due today. The range is thought to be in the region of £870m to £910m and dealers have become increasingly concerned about the performance of the company after the Plessey acquisition.

Speculation that Swiss arbitrageur Dr Tito Tettamanti had moved back into the market to add to his stake in Unitech, boosted the latter 5 to 373p.

A 33 per cent improvement in year-end profits from Scottish and Newcastle had been discounted by the market, and the shares edged a penny lower to 339p. The profit of £183.3m was in the middle of a narrow range of analysts' forecasts, and the company's positive statement accompanying the figures was only a reiteration of earlier optimism.

Trading in Whitbread was hit by rumours of downgradings. Analysts who were said to have cut their forecasts denied the suggestions. Marketmakers said the incident was "scaremongering," but Whitbread's "A" shares failed to recover much of the ground lost and closed 9 easier at 446p. The day's low was 443p.

Ladbroke had an uncomfortable day as at least one buyer active last week stayed on the sidelines yesterday. Several marketmakers, some of them well placed, also said that analysts at UBS Phillips & Drew had voiced concern over the company's property interests. However, a UBS analyst said: "We have no concerns at all about Ladbrokes' property." Ladbroke retreated 5 to 334p.

Principal Hotels, which operates 18 hotels in four countries, sold one, the Hotel Ligure in Fréjus on the Mediterranean coast of France, for FFr20m (£2m). The company paid FFr7.6m for the hotel in February. The shares firmed 2 to 40p.

Publication of Racal Telecom's annual report and accounts coincided with a number of buy recommendations for the shares. Significant among these were strong recommendations from Goldman Sachs, the highly influential US investment bank, and Smith New Court, the UK securities house.

Goldman's cellular radio specialist, Barry A Kaplan, a long-term bull of Racal Telecom, labelled Racal Telecom "one of the most attractive cellular telephone stocks in the world." Mr Kaplan said while the overall cellular market's subscriber growth has slowed somewhat recently, Vodafone's growth remains strong and there is evidence of a very recent acceleration in growth. Goldman said Vodafone has more than 570,000 subscribers, a number that could double over the next two years.

The US firm said that Telecom's earnings per share should double over the next two years : "We estimate a compound annual growth rate of more than 25 per cent over seven to ten years." Goldman's "conservative" asset value is 677p a share. Smith's electronics/telecoms team pinpointed the "very strong" growth at Racal Telecom but also emphasised the attractions of Racal Electronics. Racal Telecom shares moved up 6 to 366p, while Racal Electronics closed marginally ahead at 202p, after 206p.

Robertson Group, which provides geological and technical services, saw full year profits rise by a third to £8.1m. The company also announced a one-for-two scrip issue, and the shares firmed 5 to 149p.

USM-quoted Sterling Publishing, which owns Debrett's Peerage, continued to benefit from last week's 50 per cent rise in full-year figures. The shares added 4 at 145p.

Tiphook featured in an otherwise quiet transport sector. The shares slipped ahead of finals on Thursday. They bottomed at 533p and closed at 535p, a net decline of 7.

Hazlewood fell 8 to 156p after it announced a management buy-out of its confectionery and snacks companies at a price below market expectations. The £51m sale price was £5-10m less than analysts' estimates.

Speyhawk gained 3 to 218p following news that it had let 95,000 sq ft of floor space at its 285,000 sq ft Cannon Street development to the London International Financial Futures Exchange for the new futures and options exchange. Mr Graham Stanley of County NatWest said the letting was important as it would help Speyhawk attract other tenants in the derivatives industry.

First National Finance dropped 11 to 210p after the 17 per cent fall in interim profits which was accompanied by what was interpreted by one dealer as a "small warning," for the future.

Legal & General ran back 6 to 434p in a life assurance sector which has recently been hitting new relative highs and which UBS Phillips & Drew describe as "not related to fundamentals but more to bid hopes."

Lloyds Thompson were outstanding in an otherwise neglected insurance broking arena, the shares moving up 9 to 304p.

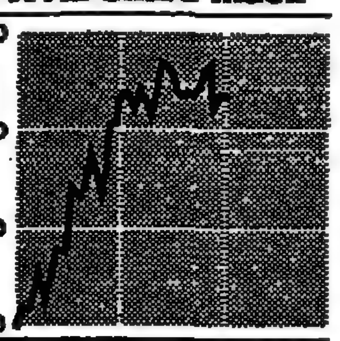
News of the strike action on Norwegian oil and gas fields in the North Sea caused a brief bout of activity in oil stocks, but this proved short lived; "It is good for sentiment in the very short term, but, if anything, may well be bad news because OPEC officials, meeting later this month, may feel less urgency to act to reduce output," said one specialist.

Burmah dipped 6 to 632p after announcing the reorganisation and management changes. Ms Irene Himona at Hoare Govett pointed out the benefits of the moves, highlighting the cost savings, the speeding up of decision making and the bigger emphasis on fuels and chemicals. "Although the stock has undergone a rerating recently, we think they are still undervalued," said Ms Himona.

Cairn Energy advancd 11 to 328p after news of the acquisition of two Forties Field Units from Ranger Oil UK for $9.8m cash.

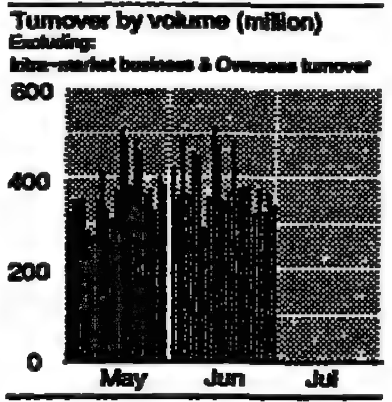
■ Other Market statistics, including the FT-Actuaries share index, Page 24

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million)
Excluding:
Intra-market business & Overseas turnover



NEW HIGHS AND LOWS FOR 1990

NEW HIGHS (59).
AMERICANS (1) BANKS (1) BREWERS (1) BUILDINGS (9) CHEMICALS (3) ELECTRICALS (5) ENGINEERING (9) FOODS (2) INDUSTRIALS (8) BET, Gestetner, Goode Durrant, Proudfoot (A), RCO, Robertson, Rockware, Shanks & McEwan, Tomkins (FH) 5.6pc Cv. Pf., INSURANCE (3) LEISURE (6) SHOES (2) TEXTILES (1) TRUSTS (9) OILS (3).

NEW LOWS (58).
AMERICANS (7) CANADIANS (1) BANKS (1) BREWERS (1) BUILDINGS (2) CHEMICALS (1) STORES (2) ELECTRICALS (2) FOODS (4) INDUSTRIALS (7) BSG Intl., Beaverco, Chestergate, Sothebys Class A, Stonehill, Stormgard, Waterman Partnership, INSURANCE (3) LEISURE (1) MOTORS (1) PAPERS (1) PROPERTY (1) SOUTH AFRICANS (2) TRUSTS (10) OILS (5) MINES (5) THIRD MARKET (1).

FINANCIAL TIMES STOCK INDICES

	July 2	June 29	June 28	June 27	June 26	Year Ago	1990 High	1990 Low	Since Compilation High	Since Compilation Low
Government Secs	79.80	79.97	79.89	80.02	80.37	85.47	84.20 (2/1)	74.13 (30/4)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	88.19	88.22	88.19	88.42	88.41	96.33	92.91 (8/1)	83.80 (30/4)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary Share	1896.6	1899.9	1887.8	1902.8	1926.6	1791.6	1968.3 (3/1)	1653.6 (30/4)	2008.6 (5/9/89)	49.4 (26/6/40)
Gold Mines	182.6	176.8	176.1	174.5	174.2	195.2	378.5 (8/2)	167.9 (15/6)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2372.0	2374.6	2355.7	2373.5	2399.5	2165.6	2463.7 (3/1)	2103.4 (30/4)	2463.7 (3/1/90)	986.9 (23/7/84)
Ord. Div. Yield	4.88	4.87	4.91	4.87	4.81	4.48				
Earning Yld %(full)	10.76	10.76	10.83	10.75	10.61	10.53				
P/E Ratio(Net)(☆)	11.26	11.27	11.19	11.27	11.42	11.46				
SEAQ Bargns 4.45pm	22,505	23,981	22,288	22,444	26,826	25,078				
Equity Turnover(£m)†	-	783.76	761.42	734.86	803.67	1115.86				
Equity Bargains†	-	22,587	21,924	21,378	25,888	26,677				
Shares Traded (ml)†	-	343.3	373.2	327.6	376.6	435.1				

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold mines 12/9/55. Basis 1000 FT-SE 100 31/12/83. ☆ Nil 11.13

Ordinary Share Index, Hourly changes — Day's High 1904.8 — Day's Low 1893.1

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
1898.2	1901.8	1904.5	1902.7	1898.4	1897.3	1898.3	1893.9	1895.8

FT-SE, Hourly changes — Day's High 2384.1 — Day's Low 2368.2

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
2373.6	2380.7	2383.3	2380.3	2373.1	2372.4	2371.8	2368.2	2371.2

GILT EDGED ACTIVITY

Indices*	June 29	June 28
Gilt Edged Bargains	89.7	103.0
5–Day average	107.1	114.6

*SE Activity 1974.
†Excluding intra-market business & Overseas turnover.

London report and latest Share index: Tel. 0898 123001.

TRADING VOLUME IN MAJOR STOCKS

	Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change
ADT	497	191	−2½	Courtaulds	319	392	−1	MEPC	30	513	+1	Slough Ests	83	299	−2
ASDA Group	1,700	114		Dalgety	180	361		Manpower	324	62	−1	Smith (W.H.) A	21	348	
Abbey National	2,900	214	+1	Dixons	1,800	145		Marks & Spencer	2,300	206½	+1½	Smith & Nephew	1,403	116	−2
Allied–Lyons	178	503		ECC Group	333	411	−3	Maxwell Comms.	719	189	−½	SmKl Beecham	428	641	−4
Amstrad	1,800	72	+1½	Enterprise Oil	521	694	+4	Mecca Leisure	2,400	89		SmKl Beecham Units	49	2520	−5
Anglian Water	181	180		FKI	713	73	+2	Midland Bank	2,800	287	−3	Smiths Inds.	134	228	−3
Argos	294	233	+1	Ferranti	425	38	−1	NatWest Bank	2,200	320	+1	South West Water	243	174	
Argyll Group	597	245		Fisons	1,000	376	+5	Next	1,800	46	+1	Southern Water	188	144	−1
Ass. Brit. Foods	37	395		Gen. Accident	148	1141		North West Water	145	157		Standard Chartd.	331	484	−3
BAA	1,900	429		General Elect.	5,700	197	+1½	Northern Foods	351	333	+3	Storehouse	425	123	+1
BAT Inds.	1,500	855	−2	Glaxo	2,100	834	+16	Northumbrian Water	250	158	−1	Sun Alliance	281	342	−2
BET	1,405	274	+6	Globe Inv.	1,800	201		Pearson	129	771	+6	Sun Life	19	1330	
BICC	705	428	+5	Glynwed Int.	1,200	296	+9	P & O	3,100	650	−8	T&N	80	198	
BOC	909	604	−5	Granada	61	253	−1	Pilkington	1,400	205	−2	TI Group	103	505	
BPB Inds.	2,100	227	−2	Grand Met.	1,300	632	+1	Polly Peck Intl.	1,400	439		TSB	1,800	136	−1
BTR	1,400	426	+½	GUS A	132	1019	−8	Prudential	1,600	236	−3	Tarmac	1,200	270	
Barclays	1,100	391	−3	GRE	842	241	−2	RHM	355	354	+2	Tate & Lyle	1,800	299	−6
Bass	113	1100	−5	GKN	498	409	−2	RMC	200	715	+4	Taylor Woodrow	470	232	−3
Beazer	184	182	−1	Guinness	355	794		RTZ	1,000	568	−6	Tesco	597	224	−1
Berisford Int.	3,600	100	−12	Hammerson 'A'	103	710	+2	Racal	2,200	202	+1	Thames Water	727	156	−½
Blue Circle	281	251		Hanson	2,700	239	−½	Racal Telecom	359	366	+6	THORN EMI	623	780	+1
Boots	885	297	+1	Hanson Warrants	129	69	−1	Rank Org.	208	858	+5	Trafalgar House	3,800	304	−20
Brit. Aerospace	1,200	629	−5	Harrisons Crosfield	144	174	+2	Reckitt & Colman	79	1239	+1	Trusthouse Forte	700	310	
British Airways	872	212	−1	Hawker Sidd.	207	646	−4	Redland	469	618	−1	Ultramar	721	334	−2
British Gas	3,000	223	−1	Hillsdown	344	282	−2	Reed Intl.	520	458	+4	Unigate	72	307	+1
British Land	14	317		IMI	390	261		Reuters	260	1265	+5	Unilever	284	711	−1
BP	3,400	319	−1	ICI	1,100	1148	+1	Rolls Royce	5,200	227	+1	United Biscuits	732	358	
British Steel	2,400	144		Inchcape	194	297		Rothmans	250	779	−6	Utd. Newspapers	65	342	+1
British Telecom	5,800	302	−1	Kingfisher	371	348	+1	Ryl Bk Scotland	1,700	175	−1	Water Package Uts.	1	£1568	+5
Bunzl	409	92		Ladbroke	2,700	334	−5	Royal Insurance	434	491	−3	Wellcome	280	815	
Burmah Oil	201	632	−6	Land Securities	579	520	+1	STC	1,300	259		Welsh Water	288	175	
Burton	7,100	117	−1½	Laporte	24	669	+7	Saatchi	135	65		Wessex Water	70	167	−2
Cable & Wire.	2,300	552	+11	Legal & General	785	434	−6	Sainsbury	397	294		Whitbread 'A'	1,100	446	−9
Cadburys	530	353	+3	Lloyds Abbey	305	327	−1	Scottish & New.	657	339	−1	Williams Hldgs.	553	276	+2
Calor Group	225	257	−7	Lloyds Bank	1,200	280	−8	Sears	3,800	96		Willis Faber	73	251	−3
Carlton Comms.	129	625	+2	LASMO	139	413	+1	Sedgwick	304	245	−1	Wimpey	379	253	
Coats Viyella	1,100	128	−½	Lonrho	1,200	263	+5	Severn Trent Water	365	142		Yorkshire Water	132	163	−2
Comm. Union	206	513	−2	Lucas	886	169	−4	Shell Transport	2,000	455	−2				
Cookson	1,400	205	+1	MB Group	1,000	213		Siebe	904	498	−1				

Based on trading volume for most Alpha securities dealt through the SEAQ system yesterday until 4.30pm.

APPOINTMENTS

Senior posts at Scott

■ SCOTT has appointed Mr Alan Cavers as managing director of the recently acquired Cross Paperware, and to the main board. He was general sales manager, consumer business, where he is succeeded by Mr Joe Turner who was national accounts sales manager. Mr Malcolm Macpherson, former managing director of Cross Paperware has been appointed to a new role in Scott's European headquarters at Leatherhead. Mr Keith Robinson has been promoted to manufacturing director of Scott, from managing director of Scott Paper, Singapore.

■ Mr Eric Oakley has been appointed a director of HAYNES PUBLISHING GROUP. He is president of the US subsidiary Haynes Publications Inc.

■ Mr Jeff Attfield, director, has been appointed head of UK pension fund investment at MIM.

■ Mr John Sacks, chief executive of ARENSON GROUP, has been appointed non-executive chairman of two office furniture makers - Antocks Lairn and Leabank Office Furniture - which are being acquired by Danish parent company Skandinavisk Holding.

■ CHARTERHOUSE BANK has appointed Mr Ian Edward as a director in the mergers and acquisitions unit of its corporate finance division. He was an associate director, mergers and acquisitions department, County NatWest.

■ Mr Roy Bowles has been appointed chairman of ROAD HAULAGE ASSOCIATION INSURANCE SERVICES, a joint venture company operated by Bain Clarkson for the RHA.

■ J.H. MINET & CO has appointed Mr Robert Pellow and Mr John Rayner as divisional executive directors, international marine division, and Mr David Hardy as divisional executive director, aviation division.

■ BENSON GROUP has appointed Mr Ron Green as finance director.

■ RKF GROUP has made the following changes. Mr Clive Preston, managing director of Pleasureworld, joins the main board. Mr Huw Walters, a director of Pleasureworld, joins RKF Group as a non-executive director. Mr Colin Clarke, property and marketing director, is resigning from the main board in line with the company's policy of reduced involvement in property development activities. Mr Michael Hearn, company secretary, is retiring. His duties will be taken over by Mr Michael Ashbrook, financial director.

Managerial moves at Sun Alliance

■ SUN ALLIANCE GROUP has made the following changes. Mr A. Watt, director and general manager, National Vulcan, and a director of Sun Alliance International, retires on December 31. He will be succeeded by Mr K.D. Sinfield, director, Sun Alliance Management Services. Mr S.W. Broughton, manager, international systems department, succeeds Mr Sinfield as manager, electronic marketing division. Mr A.J. Alwin, systems manager, international systems department, has been appointed manager, information systems, Sun Alliance Insurance Overseas.

■ Following the formation of the NELSON STOKES GROUP, Camelford, Mr James M. Omand has been appointed chairman; Mr Harold N. Stokes, managing director; Mr Walter Roberts, technical and quality director; and Mr William R. DeLong, non-executive director.

■ Mr Nigel Hurst-Brown will join MERCURY ASSET MANAGEMENT GROUP this month as an executive director. He will be appointed joint chairman of Warburg Asset Management, international equity and fixed income division. Mr Hurst-Brown has been chairman of Lloyds Investment Managers since March 1986.

■ HAYS MARINE SERVICES has promoted Mr Michael Baker from financial controller to financial director, succeeding Mr John Reynolds who has retired.

Yorkshire Bank chairman

■ Lord Clitheroe has been appointed chairman of YORKSHIRE BANK, succeeding Sir Richard Pease who is retiring. Lord Clitheroe retired last year as deputy chief executive of the RTZ Corporation.

■ SAUNDERS SOBELL LEIGH & DOBIN, solicitors, has appointed Mr Jonathan Freedman as director of finance and administration, a new post.

■ Mr Edward Turner, sales and marketing director, has been promoted to managing director of THERMALITE, part of the Marley Group.

■ Mr Kurt Ritter has been appointed president of the Forum division of the INTER-CONTINENTAL HOTELS GROUP, London. He was president of the SAS International Hotels. Inter-Continental Hotels Group is owned and operated by Saison Overseas Holdings, which is owned by Saison Group and SAS.

LONDON SHARE SERVICE

BRITISH FUNDS

1990 High	1990 Low	Stock	Price £	+ or −	Yield Int.	Yield Red.
"Shorts" (Lives up to Five Years)						
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Five to Fifteen Years						
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Over Fifteen Years						
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Undated						
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

BRITISH FUNDS—Contd

1990 High	1990 Low	Stock	Price £	+ or −	Yield Int.	Yield Red.
Index-Linked						
		(b)			(1)	(2)
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. [illegible]

INT. BANK AND O'SEAS

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CORPORATION LOANS

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

COMMONWEALTH & AFRICAN LOANS

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LOANS

Building Societies

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Public Board and Ind.

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FOREIGN BONDS & RAILS

1990 High	1990 Low	Stock	Price £	+ or −	Div %	Red. Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

AMERICANS

1990 High	1990 Low	Stock	Price £	+ or −	Div Gross	C'vr	Y'ld Gr's
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

AMERICANS—Contd

1990 High	1990 Low	Stock	Price £	+ or −	Div Gross	C'vr	Y'ld Gr's
21⅞	13⅛	Chase Manhattan $12½	13¼	−⅛	$2.36	−	10.6
19¼	14	Chem. Banking Corpn.	14½	−¼	$2.72	−	11.3
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CANADIANS

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Continued on next page

LONDON SHARE SERVICE

● Latest Share Prices are available on FT Cityline. To obtain your free Share Code Booklet ring the FT Cityline help desk on 071-925-2128

BANKS, HP & LEASING

1990 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
303	209	ANZ SA1	222	–2	44c	1.4	9.0	7.9
214	172	Abbey National 10p	214	+1	5.7	4.3	3.6	8.7
*274	210	Allied Irish Ord.	226	+2	Q40%	3.3	4.2	9.7
£13½	£11¼	Algemene Fl.10	£11½	+⅛	Q28%	2.1	7.7	6.1
85	63	Anglo Irish	65	+2	Q18.7%	2.7	6.8	8.9
83	68	Ansbacher (H.) 1p	82	......	2.5	1.3	4.1	23.6
£71½	£54¼	Bancaire Cie Fr100	£61¼	–1⅛	Q12½%	–	2.1	–
£22½	£16⅝	Banco Bilbao Viz.	£19¼	......	Q49.1%	2.7	4.4	12.5
£31	£24¼	Banco de Santander	£28¼	......	Q25%	2.4	4.0	10.5
286	224	Bank Ireland IrE1	247	......	Q14.7%	2.9	5.6	8.2
£19½	£18	Bank Leumi	£19½	......	–	–	–	–
350	320	Bank Leumi (U.K.)	345	......	†13.5	–	5.2	–
125	104	Bank Scotland	118	......	4.55	3.3	5.1	7.8
100½	83¼	Do. 9¼pc Irrd Pf.	96	......	9¼%	–	12.8	–
54	39	Bank of Wales	52	......	2.8	0.8	7.2	(25.0)
428	352	Barclays £1	391xr	–3	h19.57	3.5	6.7	5.4
22	12	Benchmark 20p	14	......	1.63	1.0	15.5	8.0
335	310	Brown Shipley £1	313	......	12.0	2.2	5.1	10.1
*435	341	Cater Allen £1	385	–4	†24.5	♦	8.5	♦
179	114	Chancery	114xd	......	9.0	2.7	10.5	4.6
£23¼	£18¼	Commerzbk DM10	£19½	......	Q18%	–	3.4	–
£13¼	842	Dai Ichi KBk Y50	899	–4	Q17%	♦	0.4	♦
*£31⅞	£261	Deutsche Bk DM50	£278¼	+4½	Q28%	–	1.8	–
£20¾	£18½	Espirito Santo	£18½	......	Q75c	5.1	2.4	–
253	183	First Nat. Fin. 10p	210	–11	13.0	2.4	8.4	6.3
121	96	FNFC 6.3pc Cv. Pf.	106xd	......	6.3%	–	7.9	–
£13¼	968	Fuji Bank Y50	978	–22	Q17%	♦	0.3	♦
325	262	Gerrard & National	308	–6	19.0	♦	8.2	♦
154	122	Guinness Mahon 10p	122	......	2.1	–	2.3	–
328	223	Hambros 20p	270xd	......	11.5	–	5.7	–
128	93	Do. 7.5pc Cv Pf.	115	–1	7½%	–	8.8	–
53½	42	HK & Shang. HK$2.50	43	+1	hQ38c	–	6.7	–
478	458	Joseph (Leo) £1	463	......	15.85	–	4.6	–
150	126	King & Shaxson 20p	143	–2	10.25	♦	9.6	♦
422	340	Kleinwort Benson Grp	359	......	16.0	2.5	5.9	9.1
642	402	Kyowa Bank Y50	448xd	+9	Q14%	♦	0.6	♦
312	242	Lloyds £1	280	–6	13.3	2.6	6.3	6.6
56	44	Lon. Scot. Bank 10p	52xd	......	†2.4	1.9	6.2	10.3
404	271	Midland £1	287	–3	18.0	2.6	8.4	6.0
£24½	£10⅞	Mitsubishi Bank Y50	£18⅞	......	Q17%	♦	0.3	♦
£12¼	£6¾	Mitsubishi Tst & Bk Y50	£7	......	Q17%	♦	0.5	♦
£10⅝	£7¼	Mitsui Bank Y50	£8½	+⅛	tQ16%	6.0	0.4	46.5
904	558	Mitsui Tst & Bk Y50	596xd	–3	Q17%	♦	0.5	♦
326	279	Nat. Aust. Bk. A$1	289	......	sQ50c	1.6	7.8	8.0
368	299	Nat West £1	320	+1	16.7	3.3	7.0	5.8
£210	£185	Ottoman Bank	£185	......	Q110%	2.8	5.9	6.0
55	39	Rea Bros. Group	45	–1	0.5	3.4	1.5	21.6
200	147	Rothschild (J) Hldgs.	152xd	......	10.0	1.1	8.8	13.2
227	149	Royal Bk. Scotland	175	–1	†7.2	3.8	5.5	6.2
795	424	Saitama Bank Y50	502xd	+7	Q14%	♦	0.5	♦
£12¼	806	Sanwa Bank Y50	845	......	Q17%	♦	0.4	♦
902½	712½	Schroders £1	798	......	h12.5	5.9	2.1	10.8
712½	537½	Do. £1 N/V	593	......	h12.5	5.9	2.8	8.0
£25⅛	£20⅞	Sec. Pacific $10	£21⅛	–⅛	Q51.9%	–	5.6	–
616	454	Standard Chartd. £1	464	–3	35.0	1.4	10.1	(8.7)
£16⅛	£8⅞	Sumitomo Bank Y50	£9⅛xd	–⅛	hQ16%	7.5	0.3	42.6
£11	£6⅞	Sumitomo Tst & Bk Y50	£6⅞xd	......	Q17%	♦	0.5	♦
147	121	TSB	136	–1	†5.8	2.5	5.8	8.6
175	126	TSB Bank Chnel Is'l	157	......	†06.7	3.5	4.3	7.8
£11⅛	£5⅞	Tokai Bank Y50	£6⅛xd	+⅛	Q16%	4.1	0.4	51.4
920	605	Toyo Tst & Bk Y50	677xd	+1	hQ15.2%	6.9	0.4	32.5
611	532	Union Discount £1	600	......	33.0	–	7.3	–
525	398	Warburg (S.G.)	420	......	15.0	3.8	4.8	7.3
180	133	Do 6pc Cnv Prf.	145	+1	6%	–	5.5	–
279	204	Westpac SA1	212	+1	Q52.5c	1.5	11.6	5.6
420	373	Wintrust 20p	380	–3	†7.8	–	2.7	–
969	574	Yasuda Tst & Bk Y50	694xd	–3	Q17%	♦	0.5	♦

Hire Purchase, Leasing, etc.

1990 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
355	173	Anglo Grp. 10p	173	......	5.5	♦	4.3	♦
£128½	£74½	Do. 9½pc 1999	£74½	......	Q9½%	–	12.8	–
175	90	CLF Yeoman 50p	93	–7	Q18.5%	3.2	6.1	4.3
71	60	Cambridge Grp Ir5p	70	......	Q7½%	♦	0.5	♦
55	32½	Capital Leasing Ir10p	36	–1	hQ13%	3.5	3.1	8.4
68	50	Cattle's (Hldgs) 10p	61	......	3.58	1.9	7.8	8.8
426	367	Prov. Financial	423	......	20.5	2.0	6.5	10.2
235	198	♦Reflex Invs. Ir5p	198xd	......	Q51.0%	♦	1.2	♦
225	199	Secure Trust Grp. 1p	212	......	8.5	2.4	5.3	10.5
210	178	Woodchester IR20p	208	–2	Q16.7%	5.9	1.6	14.1

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS – Contd

CHEMICALS, PLASTICS

DRAPERY AND STORES

ELECTRICALS

ELECTRICALS – Contd

ENGINEERING

ENGINEERING – Contd

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS (Miscel.) – Contd

INDUSTRIALS (Miscel.) – Contd.

INSURANCES

LEISURE

MOTORS, AIRCRAFT TRADES

Commercial Vehicles

LONDON SHARE SERVICE

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MOTORS, AIRCRAFT TRADES – Contd

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PROPERTY

[illegible]

PROPERTY – Contd

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TOBACCOS

[illegible]

TRANSPORT

[illegible]

INVESTMENT TRUST

[illegible]

INVESTMENT TRUST – Contd

[illegible]

For Child Health see Thornton Pan Euro.

[illegible]

INVESTMENT TRUST – Contd

[illegible]

Net asset values supplied by County NatWest Wood Mackenzie

FINANCE, LAND, ETC

[illegible]

WATER

[illegible]

OIL AND GAS

[illegible]

OIL AND GAS – Contd

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

[illegible]

Tins

[illegible]

MINES – Contd

Miscellaneous

[illegible]

THIRD MARKET

[illegible]

1990 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
83	61	Poddington 5p......y	75	+2	–	–	–	–
118	65	Ramsden's (Harry)...y	97	+4	L4.5	♦	6.3	♦
60	30	Rentaminster 5p...y	38	......	ta1.85	2.8	‡	5.9
14	11	Scott Pickford 10p...y	12	......	Q0.38	3.8	4.2	8.1
38	11	Sempernova.........y	12	......	–	–	–	2.6
36	24	Sleepy Kids 5p......y	31	......	–	–	–	–
2¼	1¼	Swanyard Studios 1p y	1¼	......	–	–	–	8.4
3½	1¾	Systems Connections.y	3¼	......	–	–	–	–
94	58	Tomorrows Leisure 20p y	58	......	–	–	–	22.1
55	34	UPL Group 10p......y	34	......	‡2.75	1.9	‡	6.4
181	128	Unit Group...........y	178	–2	5.0	♦	4.0	♦
89	56	Video Magic Leis. 1p y	56	......	W2.0	0.7	4.8	44.9
6¼	3¼	Vista Ents 5p........y	4¼	–¼	–	–	–	–
18	13	Vizcaya Hldgs 5p...y	13	......	–	–	–	–
5½	3¼	Wilton Group 1p...y	4	–¼	–	–	–	♦

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha, β Beta, γ Gamma.

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm –) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ♦ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ✱ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially listed.
- ∥ Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- ♣ Not comparable
- ♠ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
- I No par value

B.Fr. Belgian Francs. Fr. French Francs §§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1988-89. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1990. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1989-90. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date. Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xR ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Stock	Price	+ or –
Craig & Rose £1..y	830xd	......
Finlay Pkg. 5p.....y	53	–2
Holt (Jos) 25p......y	1328	+10
Carrol (P.J.).......y	121	+1
Hall (R. & H.)......	165	......
Helton Hldgs ......y	80	......
IRG.....................	201	......
United Drug..........	160	......

IRISH

Stock	Price	+ or –
Cap. 8½% Ln. 1991...	£98¼	......
9pc Cap Ln 1996...	£96¼	+½
Fin. 13% 97/02...	£114	......
Arnotts...............	198	......

TRADITIONAL OPTIONS

3-month call rates

Industrials

Stock	p
Allied-Lyons	40
Amstrad	7
Astec (BSR)	6
BAT	62
BOC Grp.	48
BTR	37
Barclays	34
Blue Circle	21
Boots	24
Bowaters	40
Brit Aerospace	47
British Steel	13
Brit. Telecom	25
Cadburys	30
Charter Cons.	42
Comm Union	41
Courtaulds	29
Eurotunnel	35
FKI	7
FNFC	28
Gen Accident	93
GEC	18
Glaxo	68
Grand Met.	53
Guardian	20
GKN	33
Hanson	20
Hawker Sidd.	53
ICI	99
Ladbroke	27
Legal & Gen.	34
Lex Service	28
Lloyds Bank	25
Lucas Inds.	13
Marks & Spencer	19
Midland Bk.	24
Nat West Bk.	30
P & O Dfd.	52
Polly Peck	39
Racal Elect.	19
RHM	30
Rank Org Ord.	70
Reed Intnl.	38
STC	21
Sears	9
SmKl. Beecham A	48
TI	39
TSB	11
Tesco	19
Thorn EMI	62
Trust Houses	24
T&N	18
Unilever	58
Vickers	19
Wellcome	57

Property

Stock	p
Brit Land	32
Control Secs.	4
Land Securities	45
MEPC	45
Mountleigh	13

Oils

Stock	p
Aviva Petlm.	5
Brit Petroleum	28
Burmah Oil	55
Conroy Petlm.	18
Gaelic Res.	3½
Premier	9
Shell	49
Tuskar Res.	5½
Ultramar	31

Mines

Stock	p
Lonrho	21
RTZ	50

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AUTHORISED UNIT TRUSTS

Abbey Unit Tst Mngrs (1000)H
80 Holdenhurst Rd, Bournemouth 0345 717373

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
High Income						
American Income	6	50.11	50.64	53.87	-0.09	5.09
Gilts & Fixed Int	6	105.4	105.4xd	111.8	-0.6	9.85
High Inc Equity	6	136.3	139.2xd	148.7	-0.8	4.27
Worldwide Bond	6	188.6	188.6	200.0	-0.4	6.45
Capital Growth						
American Growth	6	185.9	187.8	199.7	-1.0	1.17
Asian Pacific	6	139.7	142.8	151.9	+0.1	0.00
Assets & Earnings	6	159.9	163.7	174.1	+0.7	2.79
Capital Reserve Acc	0	93.47	93.47	93.47	+0.08	7.62
Capital Reserve Inc	0	78.56	78.56	78.73	-0.07	7.62
Comdty & Energy	6	90.90	92.68	99.11	+0.52	0.00
Dividend & Growth	6	47.40	48.49	51.58	[illegible]	[illegible]
1992 Enterprise	6	63.35	64.69	68.81	+0.06	1.95
Euro Capital Acc	6	103.6	105.0	111.7	+0.3	0.89
Euro Capital Inc	6	99.44	100.9	107.3	+0.3	0.89
General	6	178.9	182.4	194.0	+0.8	2.58
International	6	60.55	61.40	65.31	+0.17	0.77
Japan	6	100.7	101.6	108.0	+0.2	0.00
Mastertrust	6	90.06	90.06	96.32	-1.02	2.54
UK Growth Acc	6	177.1	185.1	196.9	+0.5	2.52
UK Growth Dist	6	115.7	120.9	128.6	+0.3	2.52
US Emerging Cos	6	59.39	60.79	64.66	+0.34	0.00
Income & Growth	6	305.9	313.2	333.1	+0.6	3.08
Ethical	6	48.12	49.35xd	52.49	+0.13	1.91

Abtrust Management Ltd (1200)H
10 Queens Terrace, Aberdeen AB9 1QJ 0800 833580

Amer Inc & Growth	5¼	31.74	31.84	33.99	-0.27	2.33
European	5¼	91.81	91.95	98.10	+0.34	0.00
European Income	5¼	89.64	89.64xd	95.68	+0.43	1.36
Exempt	1	767.6	767.6	794.5	+9.8	3.22
Exempt Income	3½	177.9	177.9	188.4	-4.3	4.59
Exempt American	3½	378.3	378.3	396.3	-3.4	1.43

Principal Unit Trust Mngmt Ltd (1600)F
16 South Park, Sevenoaks, Kent TN13 1AN 0732 740700

Principal Tst	5¼	97.72	99.05	105.38	+0.18	3.50

Prolific Unit Tst Mngrs Ltd (1100)F
222 Bishopsgate, London EC2 071-247 7544/7

American Income	5	61.47	61.47	65.39	-0.95	4.09
Conv & Gilt	5	110.8	110.8xd	117.8	-3.9	7.90
Euro Grth & Inc	5	63.41	63.41	67.60	-0.44	1.34
Extra Income	5	136.3	136.3xd	145.0	-2.0	5.98
Far East	5	268.6	269.7	287.6	+1.3	0.01
High Income	5	87.93	89.24	94.94	...	4.73
International	5	165.1	165.1	175.6	+0.3	0.14
Nth American	5	150.9	150.9	160.8	-2.3	0.29
Pref & Fxd Int	5	35.68	35.68	37.99	-2.18	10.44
Special Sits	5	112.2	114.0xd	121.6	+0.4	1.52
Technology	5	151.9	151.9xd	161.5	-2.0	0.09

Providence Capitol Fd Mgrs Ltd (1000)H
30 Uxbridge Road, London W12 8PG 081-749 9111

European Acc	5	150.7	150.7xd	161.6	+0.1	0.67
European Inc	5	144.5	144.5xd	155.0	+0.1	0.67
Japan Acc	5	96.08	96.08	102.9	-0.3	0.00

GUIDE TO UNIT TRUST PRICING

INITIAL CHARGES
These represent the marketing, administrative and other costs which have to be paid by new purchasers. These charges are included in the price when the customer buys units.

OFFER PRICE
The price at which units may be bought.

BID PRICE
The price at which units may be sold.

CANCELLATION PRICE
The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, unit trust managers quote a much narrower spread. As a result, the bid price is often set well above the minimum permissible price which is called the cancellation price in the table. However the bid price might be moved to the cancellation price in circumstances in which there is a large excess of sellers of units over buyers.

TIME
The time shown alongside the fund manager's name is the time at which the unit trusts' daily dealing prices are normally set unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: ♥ - 0001 to 1100 hours; ♦ - 1101 to 1400 hours; ♣ - 1401 to 1700 hours; ♠ - 1701 to midnight.

HISTORIC PRICING
The letter H denotes that the managers will deal on a historic price basis. This means that investors can obtain a firm quotation at the time of dealing. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis.

FORWARD PRICING
The letter F denotes that prices are set on a forward basis so that investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper show the prices at which deals were carried out yesterday.

SCHEME PARTICULARS AND REPORTS
The most recent report and scheme particulars can be obtained free of charge from fund managers. Other explanatory notes contained in last column of the FT Unit Trust Information pages.

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	Init Chge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Touche Remnant Unit Tst Mngt Ltd—Contd.						
TR Income Growth	5¼	87.69	87.69	93.28	+2.62	4.92
TR Income Monthly	5¼	52.81	52.81	56.18	-0.25	4.95
TR Japan Growth	5¼	83.81	83.81	89.00	+0.32	0
TR Overseas Growth	5¼	68.02	68.02	72.62	-0.33	0
TR Smaller Cos	5¼	78.68	78.68	83.70	+0.15	3.64
TR Special Ops	5¼	85.47	85.47	90.92	+0.36	4.54
TR Mgd Eq Ptsn Acc	5¼	36.55	36.55	38.88	+0.12	2.96
TR Mgd Eq Ptsn Inc	5¼	34.28	34.28	36.46	+0.11	2.96
TR Wwide Sp Sit Acc	5¼	39.23	39.23	42.03	-0.38	0
TR Wwide Sp Sit Inc	5¼	39.19	39.19	41.99	-0.38	0
TR Pension Portfolio						
TR American Gwth ‡	6	28.82	29.20	30.95	-0.10	0
TR Eur Sp Sits ‡	6	36.15	36.65	38.85	+0.22	0
TR General Growth ‡	6	26.30	26.57	28.17	-0.05	0
TR Global Tech ‡	6	30.54	30.95	32.80	-0.09	0
TR Income Growth ‡	6	26.12	26.40	27.98	-0.15	0
TR Japan Growth ‡	6	26.25	26.48	28.07	-0.05	0
TR Mgd Equity ‡	6	28.09	28.38	30.09	+0.06	0
TR Overseas Growth ‡	6	29.21	29.62	31.40	-0.08	0
TR Smaller Cos ‡	6	18.57	18.77	19.90	+0.02	0
TR Special Ops ‡	6	17.50	17.76	18.82	+0.01	0
TR Stlg Liquidity ‡	6	26.64	27.10	28.73	+0.08	0
TR Wwide Sp Sits ‡	6	31.98	32.55	34.51	-0.20	0
Trades Union Unit Tst Mngrs (1200)H						
NLA Tower, Addiscombe Road, Croydon 081-686-4355						
TUUT	5	256.9	262.5	276.5		3.13
Trition Fd Mngrs. Ltd. (1000)H						
Royal Ldn. Hse. Colchester CO1 1RA 0206 764400						
Trition General	5¼	169.5	172.1	183.1	+0.40	3.32
Tyndall Unit Tst Mngrs Ltd (1600)F						
25 Bucklersbury, London EC4N 0800 373374						
Austral Value	5¼	40.05	40.05	42.46	+0.15	—
British Lion	5	88.93	88.93	94.28	-0.07	4.03
Accum Units	5	93.98	93.98	99.42	-0.08	4.03
Capital Defender	5	35.49	35.49	37.63	+0.34	10.33
Accum Units	5	42.61	42.61	45.17	+0.47	10.33
1992 Eurogrowth Acc	5	78.68	78.68	83.42	-0.24	1.04
Income	5	79.19	79.19	83.95	-0.23	8.00
Accum Units	5	91.17	91.17	96.65	-0.25	8.00
Smaller Co's	5	71.99	71.99	76.32	+0.37	3.53
Accum Units	5	75.15	75.15	79.67	+0.39	3.53
Tiger Accum U.	5¼	75.22	75.22	79.75	-0.02	1.05
UK Unit Trust Managers Ltd (0905)F						

	Bid Price	Offer Price	+ or -	Yield Gross
Abbey Life Assurance Co Ltd—Contd.				
High Inc. Ser. 4	471.7	496.6	-0.3	—
Money Ser. 4	251.2	264.5		—
Intl Ser. 4	115.5	121.6	+0.2	—
Custodian Ser. 4	105.3	110.9	-0.2	—
Pension Funds				
Property	637.3	670.9		—
Equity	1190.6	1253.3	+0.6	—
Selective	385.6	405.9		—
Managed	869.7	915.5	+0.1	—
Security	497.8	524.1		—
Fixed Int.	266.3	280.4	-0.7	—
Indexed	159.2	167.6	-0.4	—
American	270.7	285.0	-1	—
Japan	318.8	335.6	+0.4	—
European	189.6	199.6	+0.4	—
High Income	132.9	139.9	-0.8	—
Ethical	123.7	130.3	+0.3	—
International	210.9	222.0	+0.5	—
Acorn Life Assurance Ltd				
The Glanty, Egham, Surrey TW20 9NT 0784 473333				
Managed	174.4	183.6	-0.2	—
World Growth	144.8	152.4	-0.3	—
UK Equity	202.6	213.2	-0.2	—
UK Small Companies	175.4	184.6	-0.3	—
European	154.1	162.2	+0.1	—
Far Eastern	309.0	325.3	-1.7	—
Nth American	109.1	114.8	-0.5	—
Fixed Interest	129.7	136.5	-0.6	—
Index Linked Stks	143.9	151.4	+0.3	—
Money	128.7	135.4		—
Pen Managed	222.5	234.2	-0.1	—
Pen World Growth	159.1	167.5	-0.4	—
Pen UK Equity	288.9	304.1	-0.1	—
Pen UK Small Cos	221.3	232.9	+0.1	—
Pen European	150.7	158.6		—
Pen Far Eastern	458.1	482.2	-2.5	—
Pen Nth American	111.1	116.9	-0.5	—
Pen Fixed Interest	157.8	166.1	-0.7	—
Pen Index Lnkd Stks	154.1	162.2	+0.4	—
Pen Money	149.0	156.8	+0.2	—
AEtna Life Insurance Co Ltd				
2-12 Pentonville Rd, London N1 9XD 0800 010575				

OTHER UK UNIT TRUSTS

INSURANCES

Continued on next page

FT MANAGED FUNDS SERVICE

● Current Unit Trust Prices are available on FT Cityline. To obtain your free Unit Trust Code Booklet ring the FT Cityline help desk on 071-925-2128

	Bid Price	Offer Price	+ or -	Yield Gross
Norwich Union Life Insurance Soc.–Contd.				
Pensioneer* & Unit-Linked Plan*				
Mixed Fund	405.0	426.3	-0.5	–
Ordinary Share Fund	603.0	634.7	-1.4	–
International Fund	167.5	176.3	-0.2	–
Property Fund	263.2	277.1	-0.1	–
Fixed Interest Fund	302.2	318.1	+1.7	–
Index-Linked Sec Fund	171.8	180.8	-0.5	–
Deposit Fund	228.1	240.1	+1.0	–
Norwich Units May 15	938.37		----	–
*Prices as at June 29				
Jersey Investment Plan				
With Profits Fund	99.65	104.89	+0.11	–
Intl Equity Fund	93.99	98.94	-0.23	–
Intl Bond Fund	96.56	101.64	-0.23	–
Pearl Assurance (Unit Funds) Ltd				
Thorpe Wood, Peterborough PE3 6SA 0733 63212				
Prop. Dist. (Gross)	168.9	177.8	----	–
Prop. Acc. (Gross)	289.5	304.8	+0.1	–
Equity (Gross)	824.2	867.6	+1.4	–
Managed (Gross)	574.4	604.7	+0.6	–
Prop. Acc. (Net)	134.8	141.9	----	–
Equity (Net)	189.9	199.9	+0.3	–
Managed (Net)	175.0	184.3	+0.1	–
Internat'onal (net)	167.2	176.0	+0.1	–
Gilt & Fxd Interest	105.3	110.9	-0.5	–
Money Fund	116.7	122.8	+0.1	–
Pearl Assurance (Unit Linked Pens) Ltd				
Ret Man (Series 1)	580.5	611.1	+1.3	–
Ret Man (Series 2)	196.9	207.3	+0.5	–
Ret Man (Series 3)	131.3	131.3	+0.3	–
Ret Cash	156.6	164.8	+0.2	–
Ret Cash (Series 3)	130.0	130.0	+0.2	–
Pegasus Assurance Ltd				
Broad Quay, Bristol BS1 4DJ 0272 230271				
Life Funds				
Managed Aggressive	105.1	110.7	----	–
Managed Balanced	98.6	103.9	+0.3	–
Managed Cautious	94.9	99.9	+0.1	–
Pension Funds				
Managed Aggressive	106.1	111.8	+0.1	–
Managed Balance	100.2	105.5	+0.2	–
Managed Cautious	96.0	101.1	+0.2	–
Pioneer Mutual Insurance Co Ltd				
16 Crosby Rd, N. Waterloo, Liverpool 051-928 6655				
Managed Fund	325.7	342.9	----	–
Max Pens Inc & Cap Fds	435.3	458.3	----	–
Money Fund	131.2	138.2	----	–
Pens Mngd Fd (Init)	116.5	122.7	----	–
Pens Mngd Fd (Acc)	150.0	157.9	----	–

	Bid Price	Offer Price	+ or -	Yield Gross
Prudential Assurance Co				
Holborn Bars, London EC1N 2NH 071-405 9222				
Prudfund				
Managed June 27	250.8	261.3	----	–
Prudential Holborn Life Ltd				
30 Old Burlington St, London W1X 1LB 071-439 3134				
Holborn Series I Life Funds				
Managed	560.6	590.2	+0.6	–
Equity	1146.6	1207.0	+0.1	–
Fixed Interest	379.7	399.7	-2.1	–
Property	432.9	455.7	-0.1	–
Cash	288.5	303.7	+0.3	–
International	396.5	417.4	+1.5	–
Holborn Series II Life Funds				
Managed	548.0	576.9	+0.5	–
Equity	1117.9	1176.8	+0.1	–
International	387.7	408.2	+1.6	–
Fixed Intl	368.8	388.3	-2.0	–
Property	420.7	442.9	-0.1	–
Cash	280.6	295.4	+0.2	–
Pacific Basin	204.8	215.6	-0.5	–
North American	150.8	158.8	-0.3	–
European	194.5	204.8	+2.7	–
Holborn Balanced Gwth	115.1	121.2	-0.1	–
Holborn Strategic Gwth	115.6	121.7	+0.2	–
Prudential Holborn Pensions Ltd				
30 Old Burlington St, London W1X 1LB 071-439 3134				
Managed	584.6	615.4	+0.5	–
Equity	850.4	895.2	+0.8	–
Global Equity	245.3	258.3	+0.4	–
Fixed Interest	411.4	433.1	-2.2	–
Property	432.7	455.5	-0.1	–
Cash	180.1	189.6	+0.2	–
Index Linked Gilt	207.2	218.2	-0.3	–
Guaranteed	13.87		----	–
International Money	211.2	222.4	-0.2	–
North American	72.9	76.8	-1.8	–
Japanese	125.1	131.7	-0.3	–
European	114.8	120.9	+0.6	–
Special Situations	119.8	126.2	+0.1	–
Communications	97.4	102.6	----	–
Smaller Companies	111.3	117.2	-0.1	–
International Small Cos	141.5	149.0	+0.2	–
Prudential Pensions Limited				
Holborn Bars, London EC1N 2NH 071-548 3261				
Discretionary June 13	£168.0	173.16	----	–
Equity June 13	£184.64	191.16	----	–
International June 13	£28.96	29.62	----	–
Intl Bond June 13	£11.78	11.93	----	–
Fixed Int June 13	£76.32	77.18	----	–
Index Linked June 13	£65.73	66.53	----	–
Property June 13	£108.24	114.37	----	–

OFFSHORE INSURANCES

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)

FT MANAGED FUNDS SERVICE

● For Current Unit Trust Prices on any telephone ring direct-0836 4 + five digit code (listed below). Calls charged at 38p per minute peak and 25p off peak, inc VAT

	Bid Price	Offer Price	+ or -	Yield Gross
Stonehage Fund Mngrs Ltd				
Intl Man Fd	$10.98	11.041	—	—
Strongbold Asset Mngmt (Guernsey) Ltd				
Tech and Comm	£13.12	13.92	—	—
Pacific Basin Fd	99.58	105.69	—	—
Western European	$17.26	18.49	—	—
The Thai-Euro Fund Ltd				
Lloyds Bank Fund Mngrs (Guernsey) Ltd				
NAV June 29		25.49	—	—
Tyndall International (Guernsey) Ltd				
Capital Defender	$1.26	1.34	+0.01	—
Hi Yield Bond	62.9	65.34	-2.5	—
Internat. Spec. Sits	46.4	48.9	+0.1	—
Mansmoeck Fd	88.6	93.2	-0.21	—
U.S. Treasury Securities Fund Ltd				
Short Term Shares		$713.71	—	—
Fixed Income Shares		$832.91	—	—
Wellington Fd Mngrs (Guernsey) Ltd				
Intl Growth Fd	$13.61	14.29	—	—
Yamaichi Capital Mngmt (Guernsey) Ltd				
Japan Meta Growth		$12.20	+0.34	—
Yamaichi ISS Fund		98.72	+0.87	—
Yamaichi CB Plus Fund		99.15	+0.06	—
Thai Inv Fund		$13.94	—	—

IRELAND (SIB RECOGNISED)

	Init Chrg.	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
AIG Fund Management Ltd "MI Trusts"						
MI Global Dollar	5	—	1.01	1.08	—	—

ISLE OF MAN (SIB RECOGNISED)

Allied Dunbar Intl Fund Mgrs (1600)H

Lord Street, Douglas, IoM 0624 661551

ADI Managed(z)	5	[illegible]	[illegible]	[illegible]	[illegible]	—
ADI Mgd Currency(z)	5	[illegible]	[illegible]	[illegible]	[illegible]	—
ADI W'wide Eq(z)	5	[illegible]	0.6499	0.6921	[illegible]	—
ADI Nth Amer G(th)(z)	5	[illegible]	0.6244	0.6649	[illegible]	—
ADI Far East (z)	5	[illegible]	1.2035	1.2817	[illegible]	—
ADI Gilt & Income(z)	5	[illegible]	[illegible]	[illegible]	[illegible]	—
ADI UK Cap Gth (z)	5	[illegible]	0.2113	0.2250	[illegible]	—
ADI Europe Fd (z)	5	[illegible]	1.3878	1.4759	[illegible]	—

For conversion Prices of Shares Phone: 0624 662860

Asset Global Funds Ltd

[illegible]

Allied Irish Fund Managers—Contd.

Barclays Intl Funds

Brown Shipley Fund Mgmt (CI) Ltd

Cater Allen Investment Management (CI)

Citibank (CI) Ltd "Citifunds"

EBC Trust Company (Jersey) Ltd

[illegible]

ISLE OF MAN (REGULATED(**))

[illegible]

JERSEY (SIB RECOGNISED)

[illegible]

JERSEY (REGULATED(**))

[illegible]

LUXEMBOURG (SIB RECOGNISED)

[illegible]

LUXEMBOURG (REGULATED(**))

[illegible]

SWITZERLAND (SIB RECOGNISED)

[illegible]

OTHER OFFSHORE FUNDS

[illegible]

	Bid Price	Offer Price	+ or -	Yield Gross
Warburg Inv Mngmt (Isle of Man) Ltd				
Sterling Fd OPUPs	£9.99	10.05	—	—
DM Fd BOPUPs	DM10.03	10.04	—	—
DM Fd OPUPs	DM9.26	9.32	—	—
Yen Fd BOPUPs	$7.51	7.52	—	—
Yen Fd OPUPs	$9.25	9.31	—	—
Wardley Investment Services Ltd				
Wardley S.E. Asia Tst	$13.26	13.93	-0.02	0.57
Japanese Warrants	$10.14	10.74	+0.01	—
Asian Warrants	$10.18	10.78	-0.02	—
European Warrants	$10.41	11.03	-0.05	—
Managed	HK$9.77	10.42	+0.03	—
Wells Fargo U.S. IT Fund				
NAV June 29		$10.08	—	—
Xiphias International Investment Fd Ltd				
Xiphias Int USD		$1.0253	—	—
Xiphias Int ECU		Ecu1.0241	—	—

Money Market Trust Funds

	Gross	Net	Gr Equiv CAR	Int Cr
CAF Money Management Co Ltd				
48 Pembury Road, Tonbridge TN9 2JD			0732 770114	
Calcash Deposit Fd	14.58	—	15.40	3-Mth
The COIF Charities Deposit Account				
2 Fore Street, London EC2Y 5AQ			071-588 1815	
Deposit	14.90	—	15.75	3-Mth
Cent. Bd. of Fin. of Church of England‡‡				
2 Fore Street, London EC2Y 5AQ			071-588 1815	
Deposit	14.90	—	15.75	3-Mth
Gartmore Money Management Ltd				
2-3 White Hart Yard, London SE1R 1NX			071-236 1425	
Call Fnd	14.58	11.37	15.59	6-Mth
7-day Fund	14.75	11.50	15.78	6-Mth
Special Fund	14.80	—	16.23	1-Mth
Dollar	7.00	5.46	7.43	3-Mth

Money Market Bank Accounts

	Gross	Net	Gr Equiv CAR	Int Cr
Aitken Hume Bank plc				
30 City Road, EC1Y 2AY			071-638 6070	
Treasury Acc	13.50	10.53	14.60	Qtr
Hi Int Chq £1,000-£4,999	13.50	10.53	14.73	Mth
Hi Int Chq £5,000-£49,999	14.00	10.92	15.31	Mth
Hi Int Chq £50,000+	14.50	11.31	15.88	Mth
Allied Trust Bank Ltd				
97-101 Cannon St, London, EC4N 5AD			071-629 6502	
OMNA (£2,001+)	14.78	11.53	16.210	Mth
HICA (£2,001+)	13.90	10.84	15.196	Mth
PROMMA (£250,001+)	14.90	11.62	16.349	—
American Express Bank Ltd				
c/o American Express Financial Services Limited, 49 The Martlets, Burgess Hill, West Sussex, RH15 9NW 0444 870088				
High Performance Cheque Account				
£1,000-£4,999	12.16	9.50	12.87	Mth
£5,000-£9,999	12.30	9.60	13.01	Mth
£10,000-£24,999	12.81	10.00	13.59	Mth
£25,000+	13.58	10.60	14.46	Mth

[illegible]

NOTES—Gross rate to those exempt from composite rate of tax Net actual rate after deduction of CRT Gr Equiv CAR: Gross equivalent to basic rate taxpayers-compounded annual rate Int Cr frequency interest credited

MANAGED FUNDS NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U.S. dollars. Yields % allow for all buying expenses. Prices of certain older insurance linked plans subject to capital gains tax on sales. ‡ Distribution free of UK taxes. p Periodic premium insurance plans. s Single premium insurance. x Offered price includes all expenses except agent's commission. z Previous day's price. ¶ Guernsey gross. # Suspended. ♦ Yield before Jersey tax. † Ex-subdivision. ‡‡ Only available to charitable bodies. ♦ Yield column shows annualised rates of NAV increase. xd ex dividend.

(**) Funds not SIB recognised. The regulatory authorities for these funds are: Guernsey: Financial Services Commission; Isle of Man: Financial Supervision Commission; Jersey: Commercial Relations Department; Luxembourg: Institut Monétaire Luxembourgeois.

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Pound helped by weak dollar

STERLING WAS boosted by a weak dollar and nervousness surrounding the D-Mark after German monetary union. High London interest rates, and speculation that the pound will become a full member of the European Monetary System before the end of the year, provided support for the British currency.

Mr Karl Otto Pöhl, president of the West German Bundesbank, said he expects sterling to join the EMS exchange rate mechanism soon, but warned that "anchoring to the D-Mark does not amount to a soft option."

Mr Pöhl, speaking in London, also mentioned the UK proposal of promoting the European Currency Unit, as an alternative route to full monetary union. He did not totally dismiss the British plan, but observers suggested that he tended to damn the idea with faint praise.

An upward revision to May UK retail sales and higher than expected consumer credit in the same month had little impact on the pound, but dealers warned that rising UK pay settlements are preventing a slowdown in the economy at present, despite a long period of high interest rates.

Nevertheless currencies supported by high interest rates, such as sterling, the Canadian and Australian dollars, are in favour, amid reports of buying from Japanese institutions.

The pound rose 1.90 cents to close at the day's high of $1.7635. It also advanced to DM2.9250 from DM2.9050, while improving to FFr9.8100 from FFr9.7600; to SFr2.4750 from SFr2.4700; and to Y266.75 from Y265.50. According to the Bank of England sterling's index rose 0.3 to 91.7.

The dollar lost ground to major currencies in general, including the Japanese yen and D-Mark. This was partly the result of a comment by Mr Richard McCormack, US Undersecretary of State for Economic and Agricultural Affairs, about concern within the Group of Seven about the depreciation of the yen. Expectations of lower US interest rates, and speculation that Japanese and German rates will move higher, also weighed on the dollar.

At the London close the dollar had fallen to DM1.6580 from DM1.6655; to Y151.25 from Y152.25; to SFr1.4035 from SFr1.4155; and to FFr5.5625 from FFr5.5950. The dollar's index fell to 66.4 from 66.8.

The D-Mark showed little movement against other members of the EMS exchange rate mechanism as dealers continued to weigh up the implications of German monetary union. Initial reaction was that the introduction of the D-Mark into East Germany had been handled smoothly. The German unit remained towards the bottom of the EMS, but finished above the weakest placed French franc.

Among currencies confined to the narrow 2.25 per cent band of movement the Italian lira remined the strongest EMS member, but weakened against the French franc and the D-Mark at the Milan fixing.

£ IN NEW YORK

July 2	Latest	Previous Close
£ Spot	1.7620-1.7630	1.7485-1.7495
1 month	1.01-1.00pm	0.97-0.96pm
3 months	2.80-2.78pm	2.76-2.74pm
12 months	9.32-9.25pm	9.30-9.23pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	July 2	Previous
8.30 am	91.4	91.5
9.00 am	91.5	91.6
10.00 am	91.6	91.5
11.00 am	91.6	91.5
Noon	91.6	91.5
1.00 pm	91.6	91.5
2.00 pm	91.7	91.5
3.00 pm	91.7	91.4
4.00 pm	91.7	91.4

CURRENCY RATES

July 2	Bank rate %	Special* Drawing Rights	European † Currency Unit
Sterling	-	0.762050	0.709315
U.S Dollar	7	1.32231	1.24662
Canadian $	13.32	1.54631	1.45007
Austrian Sch.	6½	15.4922	14.5057
Belgian Franc	10¼	45.3090	42.4038
Danish Krone	10½	8.38940	7.85122
Deutsche Mark	6.00	2.20495	2.06253
Neth. Guilder	7.00	2.48264	2.32133
French Franc	10¼	7.40560	6.92810
Italian Lira	13½	1620.73	1514.71
Japanese Yen	5¼	204.099	188.551
Norway Krone	8	8.48526	7.93599
Spanish Peseta	-	135.457	126.707
Swedish Krona	11	7.98821	7.47972
Swiss Franc	6.00	1.86975	1.74776
Greek Drach.	20½	N/A	201.653
Irish Punt	-	N/A	0.769092

† European Commission Calculations.
* All SDR rates are for June 29

CURRENCY MOVEMENTS

July 2	Bank of England Index	Morgan** Guaranty Changes %
Sterling	91.7	-20.7
U.S Dollar	66.4	-11.5
Canadian Dollar	104.2	+1.2
Austrian Schilling	109.5	+11.5
Belgian Franc	111.2	-2.3
Danish Krone	110.3	+4.6
Deutsche Mark	118.0	+23.9
Swiss Franc	113.8	+21.8
Guilder	114.2	+15.8
French Franc	104.3	-12.4
Lira	101.0	-18.4
Yen	121.5	+50.0

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1985=100)**Rates are for June 29.

OTHER CURRENCIES

July 2	£	$
Argentina	8774.90-8815.10	4990.00-5010.00
Australia	2.2080-2.2100	1.2545-1.2555
Brazil	96.7175-97.8280	55.0000-55.6000
Finland	6.8210-6.8425	3.8860-3.8890
Greece	282.25-286.75	160.70-163.30
Hong Kong	13.6910-13.7040	7.7855-7.7875
Iran	121.40*	69.20*
Korea(Sth)	1259.45-1259.40	713.20-718.80
Kuwait	0.51200-0.51370	0.2920-0.2930
Luxembourg	60.00-60.10	34.00-34.10
Malaysia	4.7540-4.7655	2.7045-2.7065
Mexico	5032.80-5037.45	2862.00-2863.00
N. Zealand	2.9750-2.9795	1.6920-1.6940
Saudi Ar.	6.5750-6.5805	3.7500-3.7510
Singapore	3.2210-3.2285	1.8320-1.8340
S. Af (Cm)	4.6510-4.6625	2.6480-2.6495
S. Af (Fn)	7.1485-7.2970	4.0650-4.1495
Taiwan	46.80-47.45	27.40-27.457
U.A.E.	6.4380-6.4450	3.6720-3.6730

*Selling rate

EURO-CURRENCY INTEREST RATES

Jul 2	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	15⅛-14⅞	15-14⅞	14⅞-14¾	14⅞-14¾	14⅞-14¾	14¾-14⅝
US Dollar	8¼-8⅛	8⅛-8⅛	8⅛-8⅛	8⅛-8⅛	8⅛-8⅛	8⅛-8⅛
Can. Dollar	13¼-13	13¼-13	13⅛-13⅛	13⅞-13⅞	13⅞-13⅛	13⅛-12⅞
D. Guilder	8-7⅞	7⅞-7⅞	8⅛-7⅞	8⅛-8⅛	8⅞-8⅞	8⅞-8⅞
Sw. Franc	9½-9¼	9⅛-9⅛	9⅛-9	9⅛-9	8⅞-8⅞	8⅞-8⅞
Deutschmark	8⅛-7⅞	8⅛-8	8⅛-8	8⅛-8⅛	8⅞-8⅞	8⅞-8⅞
Fr. Franc	10-9⅞	10-9⅞	10-9⅞	10⅛-9⅞	10⅛-10⅛	10⅛-10⅛
Italian Lira	13-11	12½-11½	11½-11	11½-11	11½-11¼	11⅞-11½
Belgian Franc	9⅞-9⅝	9⅞-9½	9⅞-9⅝	9⅞-9⅝	9⅞-9⅝	9⅞-9⅝
Yen	7⅛-7⅛	7⅛-7⅛	7⅛-7⅛	7⅛-7⅛	7⅛-7⅛	7⅛-7⅛
D. Krone	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Asian $Sing	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Long term Eurodollars: two years 8¾-8⅝ per cent; three years 8⅞-8¾ per cent; four years 9⅛-8⅞ per cent; five years 9⅛-9 per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

POUND SPOT - FORWARD AGAINST THE POUND

July 2	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Canada	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Netherlands	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Belgium	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Denmark	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ireland	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
W. Germany	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Portugal	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Spain	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italy	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Norway	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
France	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sweden	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Japan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Austria	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Switzerland	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
ECU	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Commercial rates taken towards the end of London trading. Six-month forward dollar 5.40-5.35pm 12 month 9.34-9.24pm

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

July 2	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ireland†	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Canada	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Netherlands	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Belgium	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Denmark	6.29-6.30½	6.29¾-6.30¼	[illegible]	[illegible]	[illegible]	[illegible]
W. Germany	1.6525-1.6585	1.6575-1.6585	0.03-0.01pfpm	0.14	0.03-0.01pm	0.05
Portugal	145.35-145.65	145.50-145.60	45-65cdis	-4.53	200-250dis	-6.18
Spain	101.50-101.80	101.65-101.75	53-60cdis	-6.67	155-170dis	-6.39
Italy	1213-1217¼	1216¼-1217¼	2.60-3.10liredis	-2.81	8.50-9.20dis	-2.91
Norway	6.36-6.37¼	6.36¼-6.36¾	1.30-1.65oredis	-2.78	4.25-4.85dis	-2.86
France	5.55-5.56¼	5.56-5.56½	0.78-0.83cdis	-1.74	2.45-2.55dis	-1.79
Sweden	5.99½-6.01¼	6.00¼-6.00¾	2.00-2.20oredis	-4.20	6.05-6.40dis	-4.15
Japan	150.75-151.65	151.20-151.30	0.12-0.10ypm	0.87	0.27-0.24pm	0.67
Austria	11.61½-11.65½	11.64¾-11.65¼	0.20-0.60grodis	-0.41	0.60-1.70dis	-0.39
Switzerland	1.3980-1.4065	1.4030-1.4040	0.09-0.13cdis	-0.94	0.26-0.32dis	-0.83
ECU	1.2445-1.2485	1.2465-1.2475	0.58-0.55cpm	5.44	1.55-1.50pm	4.89

Commercial rates taken towards the end of London trading. † UK, Ireland and ECU are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu July 2	% change from central rate	% change adjusted for divergence	Divergence limit, %
Belgian Franc	42.1679	42.4038	+0.56	+0.32	±1.5308
Danish Krone	7.79845	7.85122	+0.68	+0.44	±1.6453
German D-Mark	2.04446	2.06253	+0.88	+0.64	±1.1762
French Franc	6.85684	6.92810	+1.04	+0.80	±1.3618
Dutch Guilder	2.30358	2.32133	+0.77	+0.53	±1.5272
Irish Punt	0.763159	0.769092	+0.78	+0.54	±1.6689
Italian Lira	1529.70	1514.71	-0.98	-1.22	±1.5162
Spanish Peseta	132.889	126.707	-4.65	-4.65	±4.2705

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

EXCHANGE CROSS RATES

July 2	£	$	DM	Yen	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
£	1	1.764	2.925	266.8	9.810	2.475	3.290	2146	2.049	60.05
$	0.567	1	1.658	151.2	5.561	1.403	1.865	1217	1.162	34.04
DM	0.342	0.603	1	91.21	3.354	0.846	1.125	733.7	0.701	20.53
YEN	3.748	6.612	10.96	1000.	36.77	9.277	12.33	8045	7.680	225.1
F Fr.	1.019	1.798	2.982	272.0	10.	2.523	3.354	2188	2.089	61.21
S Fr.	0.404	0.713	1.182	107.8	3.964	1	1.329	867.1	0.828	24.26
H Fl.	0.304	0.536	0.889	81.09	2.982	0.752	1	652.3	0.623	18.25
Lira	0.466	0.822	1.363	124.3	4.571	1.153	1.533	1000.	0.955	27.98
C $	0.488	0.861	1.428	130.2	4.788	1.208	1.606	1047	1	29.31
B Fr.	1.665	2.938	4.871	444.3	16.34	4.122	5.479	3574	3.412	100.

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES AND OPTIONS

LIFFE LONG GILT FUTURES OPTIONS £50,000 64ths of 100% — [illegible]

LIFFE US TREASURY BOND FUTURES OPTIONS $100,000 64ths of 100% — [illegible]

LIFFE BUND FUTURES OPTIONS DM250,000 points of 100% — [illegible]

LIFFE EURODMARK OPTIONS DM1m points of 100% — [illegible]

LIFFE EURODOLLAR OPTIONS $1m points of 100% — [illegible]

LIFFE SHORT STERLING OPTIONS £500,000 points of 100% — [illegible]

LONDON (LIFFE)

20-YEAR 9% NOTIONAL GILT £50,000 32nds of 100% — [illegible]

US TREASURY BONDS 8% $100,000 32nds of 100% — [illegible]

6% NOTIONAL GERMAN GOVT. BOND DM250,000 100ths of 100% — [illegible]

6% NOTIONAL LONG TERM JAPANESE GOVT. BOND Y100m 100ths of 100% — [illegible]

THREE MONTH STERLING £500,000 points of 100% — [illegible]

THREE MONTH EURODOLLAR $1m points of 100% — [illegible]

THREE MONTH EUROMARK DM 1m points of 100% — [illegible]

THREE MONTH ECU ECU 1m points of 100% — [illegible]

FT-SE 100 INDEX £25 per full index point — [illegible]

POUND-$ (FOREIGN EXCHANGE) — Spot 1.7635 — [illegible]

DM-STERLING $m per £ — [illegible]

CHICAGO

U.S. TREASURY BONDS (CBT) 8% $100,000 32nds of 100% — [illegible]

U.S. TREASURY BILLS (IMM) $1m points of 100% — [illegible]

SWISS FRANC (IMM) SFr 125,000 $ per SFr — [illegible]

PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per £1) — [illegible]

JAPANESE YEN (IMM) Y12.5m $ per Y100 — [illegible]

DEUTSCHE MARK (IMM) DM125,000 $ per DM — [illegible]

THREE-MONTH EURODOLLAR (IMM) $1m points of 100% — [illegible]

STANDARD & POORS 500 INDEX $500 times index — [illegible]

10 YEAR 10% NOTIONAL FRENCH BOND (MATIF) FUTURES — [illegible]

OPTION ON LONG-TERM FRENCH BOND (MATIF) — [illegible]

THREE-MONTH PIBOR FUTURES (MATIF) (Paris interbank offered rate)

	Open	Close	Change	High	Low	Yield	Open Int.
September	90.08	90.07	-	90.11	90.07	9.92	12,662
December	90.05	90.06	+0.02	90.07	90.05	9.95	4,234
March	90.06	90.06	+0.01	90.07	90.06	9.93	1,180
June	-	-	-	-	-	9.95	66

Estimated volume 2,429 Total Open Interest 18,142

CAC-40 FUTURES (MATIF) Stock Index

	Open	Close	Change	High	Low	Open Int.
July	2038.0	2041.5	+4.5	2047.5	2032.0	5,622
August	2046.0	2053.0	+8.0	2056.5	2046.0	303
September	2056.0	2056.0	-	2056.0	2056.0	10
December	-	-	-	-	-	-

Estimated volume 2,673 Total Open Interest 5,935

BASE LENDING RATES

	%		%		%
ABN Bank	15	Coutts & Co	15	NatWestminster	15
Adam & Company	15	Cyprus Popular Bk	15	Northern Bank Ltd	15
Allied Trust Bank	15	Dunbar Bank PLC	15	Nykredit Mortgage Bank	15½
Allied Irish Bank	15	Duncan Lawrie	15	Provincial Bank PLC	16
● Henry Ansbacher	15	Equatorial Bank plc	15	Roxburghe G'rantee	15½
Associates Cap Corp	15½	Exeter Trust Ltd	15½	Royal Bk of Scotland	15
● B & C Merchant Bank	15	Financial & Gen. Bank	15	Royal Trust Bank	15
Bank of Baroda	15	First National Bank Plc	16½	● Smith & Williamson Secs.	15
Banco Bilbao Vizcaya	15	● Robert Fleming & Co.	15	Standard Chartered	15
Bank Credit & Comm	15	Robert Fraser & Ptnrs.	15½	TSB	15
Bank of Cyprus	15	Girobank	15	Unibank plc	15
Bank of Ireland	15	● Guinness Mahon	15	● United Bk of Kuwait	15
Bank of India	15	HFC Bank plc	15	United Mizrahi Bank	15
Bank of Scotland	15	● Hambros Bank	15	Unity Trust Bank Plc	15
Banque Belge Ltd	15	Hampshire Trust Plc	15½	Western Trust	15
Barclays Bank	15	Heritable & Gen Inv Bnk.	15	Westpac Bank Corp.	15
Benchmark Bank PLC	15	● Hill Samuel	§15	Whiteaway Laidlaw	15½
Brit Bk of Mid East	15	C. Hoare & Co.	15	Yorkshire Bank	15
● Brown Shipley	15	Hongkong & Shangh	15		
CL Bank Nederland	15	● Leopold Joseph & Sons	15		
● Charterhouse Bank	15	Lloyds Bank	15		
Citibank NA	15	Meghraj Bank Ltd	15		
City Merchants Bank	15	McDonnell Douglas Bnk.	15		
Clydesdale Bank	15	Midland Bank	15		
Comm. Bk. of London Plc	15	Mount Banking	15		
Co-operative Bank	*15	Nat Bk. of Kuwait	15		

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MONEY MARKETS

Rates little changed

INTEREST RATES held steady on the London money market yesterday, with three-month sterling interbank unchanged at 14$\frac{13}{16}$-14⅞ per cent. One-year money eased slightly to 14$\frac{13}{16}$-14$\frac{11}{16}$ per cent from 14$\frac{13}{16}$-14¾ on speculation that sterling will enter the exchange rate mechanism of the EMS later this year, leading to lower rates in the longer term.

Short sterling futures traded quietly on Liffe, with September delivery falling to 85.50 from 85.51, after opening weaker at 85.48

UK clearing bank base lending rate 15 per cent from October 5

Day-to-day credit was in comfortable supply. The Bank of England initially forecast a credit shortage of £100m, but revised this to £150m in the afternoon. Total help of £208m was provided.

The authorities did not operate in the market before lunch, but in the afternoon bought £108m bills outright in band 1 at 14⅞ per cent. Late assistance of around £100m was also provided.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £924m, with bank balances below target absorbing £40m. These outweighed Exchequer transactions adding £310m to liquidity and a fall in the note circulation of £575m.

In Frankfurt call money eased slightly to 7.95 from 8.00 per cent, as credit remained tight after monetary union with East Germany at the week-end. Dealers expect the Bundesbank to keep call money firm, while making sure that banks in East Germany have enough funds. It was rumoured that the East German State Bank - which lost its role as a central bank with monetary union - deposited funds in Frankfurt at market rates after receiving some DM10bn from the Bundesbank at a rate of 6 per cent.

In the tight conditions banks in West Germany took up DM8.4bn of Lombard borrowing on Friday, compared with only DM3.8bn on Thursday. This was repayed yesterday, and banks are also faced with repayment of around DM7bn borrowed last week under the terms of the Bundesbank act, which allows the central bank to transfer funds to the market from public authorities.

The Bundesbank will have the opportunity to clarify its monetary position this week, via a securities repurchase agreement tender replacing expiring facilities of DM24.6bn.

FT LONDON INTERBANK FIXING

(11.00 a.m. July 2) 3 months US dollars		6 months US Dollars	
bid 8$\frac{5}{16}$	offer 8⅜	bid 8¼	offer 8⅜

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK (Lunchtime)

Prime rate	10
Broker loan rate	9¼
Fed. funds	8¼
Fed. funds at intervention	-

Treasury Bills and Bonds

One month	6.91	Three year	8.29
Two month	7.61	Four year	8.34
Three month	8.01	Five year	8.34
Six month	8.03	Seven year	8.46
One year	8.05	10-year	8.42
Two year	8.24	30-year	8.41

July 2	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	7.90-8.00	7.85-8.00	7.95-8.10	8.00-8.15	8.30-8.50	8.00
Paris	9$\frac{15}{16}$-10⅛	9¾-9⅞	-	9$\frac{15}{16}$-10$\frac{1}{16}$	-	9.50
Zurich	8½-8⅝	8⅞-9¼	-	8⅞-9⅛	-	-
Amsterdam	7.62-7.75	7.95-8.05	-	8.23-8.33	-	-
Tokyo	7$\frac{11}{16}$-7$\frac{13}{16}$	7⅞-7⅞	-	7⅞-7⅞	-	-
Milan	11⅛-11½	11-11⅛	-	11¼-11¼	-	-
Brussels	8.15	9⅜-9⅝	-	9⅜-9⅝	-	-
Dublin	10¼-10⅜	10⅜-10½	10⅜-10½	10¼-10½	10⅜-10⅝	-

LONDON MONEY RATES

Jul 2	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	15½	15	15	15	14⅞	14$\frac{13}{16}$
Interbank Bid	14½	14¾	14⅞	14⅞	14¾	14$\frac{11}{16}$
Sterling CDs	-	-	14$\frac{13}{16}$	14$\frac{13}{16}$	14$\frac{11}{16}$	14$\frac{11}{16}$
Local Authority Deps.	14⅝	14⅞	14⅞	14⅞	14¾	14¾
Local Authority Bonds	-	-	-	-	-	-
Discount Mkt Deps.	15	14$\frac{13}{16}$	14⅞	14½	-	-
Company Deposits	-	-	14⅞	14$\frac{13}{16}$	14⅞	14⅝
Finance House Deposits	-	-	15	14$\frac{13}{16}$	14¾	14½
Treasury Bills (Buy)	-	-	14$\frac{13}{16}$	14⅞	-	-
Bank Bills (Buy)	-	-	14⅞	14$\frac{11}{16}$	13⅞	-
Fine Trade Bills (Buy)	-	-	15¼	14$\frac{13}{16}$	14½	-
Dollar CDs	-	-	8.25	8.27	8.30	8.40
SDR Linked Dep. Offer	-	-	8⅞	9	9⅛	9⅜
SDR Linked Dep. Bid	-	-	8⅞	8⅞	9⅛	9¼
ECU Linked Dep. Offer	-	-	9$\frac{15}{16}$	10⅛	10½	10⅝
ECU Linked Dep. Bid	-	-	9$\frac{13}{16}$	10⅛	10⅜	10½

Treasury Bills (sell); one-month 14⅜ per cent; three months 14⅜ per cent; Bank Bills (sell); one-month 14$\frac{13}{16}$ per cent; three months 14⅜ per cent; Treasury Bills; Average tender rate of discount 14.3198 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day June 29, 1990. Agreed rates for period July 25, 1990 to August 25, 1990, Scheme I: 15.84 p.c., Schemes II & III: 16.25 p.c. Reference rate for period June 1, 1990 to June 29, 1990, Scheme IV&V: 15.025 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 15½ from July 1, 1990; Bank Deposit Rates for sums at seven days notice 4 per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 11½ per cent; one-three months 13 per cent; three-six months 13 per cent; six-nine months 13 per cent; nine-twelve months 13 per cent; Under £100,000 11½ per cent from Oct 9, 1989. Deposits withdrawn for cash 5 per cent.

GRANVILLE SPONSORED SECURITIES

High	Low	Company	Price	Change	Gross div (p)	Yield %	P/E
343	278	Ass. Brit. Ind. Ordinary	278	0	10.3	3.7	7.5
38	19	Armitage and Rhodes	25	0	-	-	-
210	135	Bardon Group (SE)	153	+1	4.3	2.8	14.9
125	96	Bardon Group Cv Pref (SE)	97	0	6.7	6.9	-
123	70	Bray Technologies	70	0	5.9	8.4	6.2
110	82	Bremhill Conv. Pref	82	0	11.0	13.4	-
315	285	CCL Group Ordinary	315	0	18.7	5.9	2.5
176	163	CCL Group 11% Conv.Pref	165	0	14.7	8.9	-
225	140	Carbo Plc (SE)	215	0	7.6	3.5	12.6
110	109	Carbo 7.5% Pref (SE)	110	0	10.3	9.4	-
7.5	0.125	*Magnet Gp Non-VotingA Cnv	0.1	0	-	-	-
7.5	0.125	*Magnet Gp Non-VotingB Cnv	0.1	0	-	-	-
130	59	Isis Group	59	0	8.0	13.6	3.4
145	58	Jackson Group (SE)	119	0	3.6	3.0	13.8
345	243	Multihouse NV (AmstSE)	325	0	-	-	-
158	98	Robert Jenkins	130	0	10.0	7.7	4.7
467	320	Scruttons	325	0	20.0	6.2	9.0
165	106	Unistrut Europe Conv Pref	167	+2	9.3	5.6	-
395	235	Veterinary Drug Co. PLC	236	0	22.0	9.3	6.3
384	278	W.S Yeates	384	+2	16.2	4.2	32.0

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MASONRY FACINGS LIMITED

Registered number: 1686918
Nature of business: Dealers in Bricks
Trade classification: 26
Date of appointment of joint administrative receivers: 21 June 1990
Name of person appointing the joint administrative receivers: Barclays Bank plc
DAVID ROBERT WILTON and IAN NAPIER CARRUTHERS
Joint Administrative Receivers
(office holder nos 5573 and 814) of
Cork Gully
43 Temple Row
Birmingham
B2 5JT

LEGAL NOTICES

IN THE MATTER OF GLOBALHILL PROPERTIES LIMITED AND IN THE MATTER OF THE INSOLVENCY ACT 1986

NOTICE IS HEREBY GIVEN that the Creditors of the above named company, which is being voluntarily wound up, are required, on or before the 28th day of August 1990 to send in their full christian and surnames, their addresses and descriptions, full particulars of their debts or claims, and the names and addresses of their solicitors (if any) to the undersigned SURJIT KUMAR SINGLA, FCA of SINGLA & COMPANY Chartered Accountants, 49 Queen Victoria Street, London EC4N 4SA, the Liquidator of the said company, and if so required by notice in writing from the said Liquidator, are personally or by their solicitors, to come in and prove their debts or claims at such time and place as shall be specified in such notice, or in default thereof they will be excluded from the benefit of any distribution made before such debts are proved.

DATED this 29th day of June 1990

S.K. SINGLA
Liquidator

ARCHITECTURE
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4 Understanding French? (7)
5 Article more involved in logical statement (7)
6 Instructed, we hear in tense (4)
7 Run off irregularly with sweetheart? (5)
8 Paper said to collapse and vanish without trace (9)
13 Having celebrated with girls, shades needed (10)
14 Preparation for the night (9)
16 Record reading? (9)
18 Quarrel between Poles, say, peters out (7)
19 Tease with grub as a sort of bait (7)
21 Order of the shorter English dictionary? (5)
23 Bucolic, like Cobbett's rides (5)
24 The last carriage? (4)

Solution to Puzzle No.7,278

RHUBARB BEWITCH
A N I Z U H W E
MEANT NORWEGIAN
E N C E M R S C
KNIPHOFIA EXTRA
I M I U M
NOOSE TECHNIQUE
U P E U T U
RESCINDED ODIUM
E C G C I
FICHU PREPACKED
U I R A L L S W
SEGMENTAL IRAQI
A A A E E B N F
LORINER SWINDLE

WORLD STOCK MARKETS

CANADA

TORONTO

Closing prices June 29

MONTREAL

Closing prices June 29

Total Sales 4,672,888 shares.

INDICES

NEW YORK

DOW JONES	July 2	June 29	June 28	June 27	1990 HIGH	1990 LOW	Since compilation HIGH	Since compilation LOW
♦Industrials	2899.26	2880.69	2878.71	2862.13	2935.89 (15/6)	2543.24 (30/1)	2935.89 (15/6/90)	41.22 (2/7/32)
Home Bonds	91.09	90.77	90.88	90.79	93.04 (3/1)	88.48 (2/5)	—	—
Transport	1144.16	1144.34	1142.79	1140.88	1212.77 (6/6)	1031.83 (30/1)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	209.57	210.01	208.63	208.63	236.23 (2/1)	203.09 (30/4)	236.23 (2/1/90)	10.50 (8/4/32)

♦Day's High 2908.66 (2901.98) Low 2869.80 (2865.84)

STANDARD AND POOR'S

	July 2	June 29	June 28	June 27	1990 HIGH	1990 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	359.54	358.02	357.63	355.14	367.40 (4/6)	322.98 (30/1)	367.40 (4/6/90)	4.40 (1/6/32)
Industrials	422.50	420.52	420.25	416.89	428.34 (4/6)	371.92 (30/1)	428.34 (4/6/90)	3.62 (21/6/32)
Financial	29.00	28.93	28.87	28.68	31.87 (3/1)	26.59 (27/4)	35.24 (9/10/89)	8.64 (1/10/74)
NYSE Composite	196.22	195.48	195.18	193.87	200.21 (4/6)	178.43 (30/1)	200.21 (4/6/90)	4.46 (25/4/42)
Amex Mkt. Value	360.14	361.21	358.57	357.05	382.45 (5/1)	342.64 (24/4)	397.03 (10/10/89)	29.31 (9/12/72)
NASDAQ Composite	462.04	462.28	460.38	456.89	468.86 (13/6)	410.72 (30/1)	485.73 (9/10/89)	54.87 (31/10/72)

	June 29	June22	June15	year ago (approx.)
Dow Industrial Div. Yield	3.74	3.77	3.67	3.70

	June 27	Jun 20	June13	year ago (approx.)
S & P Industrial div. yield	2.97	2.93	2.90	3.09
S & P Indl. P/E ratio	16.70	16.87	17.07	12.97

NEW YORK ACTIVE STOCKS

Monday	Stocks traded	Closing price	Change on day
Gen. Instr.	3,263,000	45⅝	+ 8⅞
Am. T & T	1,971,600	38⅞	+ ⅛
Long Is.Light	1,606,000	20	+ ⅛
Kay Jewlry.	1,469,200	14⅛	+ 3⅞
Philip Morris	1,268,100	47⅞	+ ⅝
Ferro Corp.	1,032,700	25	- ½
Pac.Gas & El.	1,009,000	23⅛	- ⅛
Gen. Electric	966,800	70½	+ 1⅛
Caterpillar	917,400	53	+ ⅞
IBM	916,000	118½	+ 1

TRADING ACTIVITY

† Volume Millions	July 2	June 29	June 28
New York	130.200	145.500	136.120
Amex	9.518	13.024	11.619
NASDAQ	(u)	158.811	148.824
Issues Traded	1,981	1,994	1,983
Rises	779	966	906
Falls	739	572	547
Unchanged	463	456	530
New Highs	52	56	63
New Lows	43	47	39

CANADA

TORONTO	July 2	June 29	June 28	June 27	1990 HIGH	1990 LOW
Metals & Minerals	(c)	3208.50	3186.00	3164.60	3453.05 (4/1)	2850.80 (23/4)
Composite	(c)	3544.00	3530.00	3519.30	4009.47 (3/1)	3334.20 (1/5)
MONTREAL Portfolio	(c)	1833.26	1823.45	1814.81	2060.90 (3/1)	1720.25 (27/4)

Base values of all indices are 100 except NYSE All Common—50; Standard and Poor's—10; and Toronto Composite and Metals—1000. Toronto Indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds.‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	July 2	June 29	June 28	June 27	1990 HIGH	1990 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1496.6	1500.7	1494.6	1504.4	1713.7 (12/1)	1434.5 (30/4)
All Mining (1/1/80)	711.7	715.5	712.8	719.8	860.8 (5/1)	711.7 (2/7)
AUSTRIA						
Credit Aktien (30/12/84)	605.82	603.80	609.22	612.97	703.29 (19/3)	526.59 (2/1)
BELGIUM						
Brussels SE (Cash Mkt) (1/1/80)	6286.20	6263.84	6251.49	6263.98	6599.43 (12/1)	5568.16 (26/2)
DENMARK						
Copenhagen SE (3/1/83)	376.55	377.14	378.15	379.35	382.58 (15/6)	352.96 (25/4)
FINLAND						
Unitas General (1975)	540.9	546.8	549.3	552.5	677.3 (23/1)	540.9 (2/7)
FRANCE						
CAC General (31/12/82)	542.08	545.88	543.68	547.77	564.62 (30/5)	482.94 (26/2)
CAC 40 (31/12/87)	2029.54	2035.03	2038.41	2036.96	2129.32 (20/4)	1800.32 (26/2)
GERMANY						
FAZ Aktien (31/12/58)	805.18	795.64	806.71	797.56	838.92 (3/4)	732.71 (24/1)
Commerzbank (1/12/53)	2325.6	2297.3	2329.8	2301.9	2414.0 (3/4)	2151.5 (24/1)
DAX (30/12/87)	1915.30	1879.90	1895.17	1901.46	1968.55 (30/3)	1756.41 (24/1)
HONG KONG						
Hang Seng Bank (31/7/64)	3319.47	3278.24	3273.28	3284.47	3319.47 (2/7)	2738.24 (1/2)
IRELAND						
ISEQ Overall (4/1/88)	1689.17	1689.11	1686.40	1688.42	1893.10 (22/1)	1582.61 (2/5)
ITALY						
Banca Com. Ital. (1972)	745.11	753.76	752.19	746.26	763.52 (14/6)	646.73 (26/2)
JAPAN						
Nikkei (16/5/49)	32160.23	31940.24	32106.19	32312.75	38712.88 (4/1)	28002.07 (2/4)
Tokyo SE (Topix) (4/1/68)	2348.70	2343.36	2350.40	2362.48	2867.70 (4/1)	2058.82 (5/4)
2nd Section (4/1/68)	4189.90	4200.81	4178.62	4155.77	4284.68 (9/2)	3313.92 (5/4)
MALAYSIA						
KLSE Composite (4/4/86)	(c)	584.65	586.59	586.04	622.20 (20/2)	518.53 (2/5)
NETHERLANDS						
CBS Ttl.Rtn.Gen.(End 1983)	266.1	266.5	266.7	266.7	269.0 (3/1)	240.1 (26/2)
CBS All Shr (End 1983)	198.2	198.5	198.9	198.7	206.3 (3/1)	184.2 (26/2)
NORWAY						
Oslo SE (Ind) (2/1/83)	823.94	825.62	822.74	824.38	859.05 (5/6)	701.67 (2/1)
PHILIPPINES						
Manila Comp (2/1/85)	870.17	882.98	895.41	899.26	1160.70 (21/3)	740.31 (6/6)
SINGAPORE						
SES All-Singapore (2/4/75)	432.28	434.29	437.78	439.91	443.34 (6/2)	401.34 (30/4)
SOUTH AFRICA						
JSE Gold (28/9/78)	1580.0	1522.0	1500.0	1458.0	2230.0 (16/1)	1322.0 (20/6)
JSE Industrial (28/9/78)	2966.0	2963.0	2955.0	2949.0	3211.0 (6/2)	2794.0 (25/4)
SOUTH KOREA**						
Korea Comp Ex. (4/1/80)	713.18	720.00	732.64	740.01	928.82 (4/1)	688.66 (30/4)
SPAIN						
Madrid SE (30/12/85)	297.25	295.80	295.15	293.69	302.85 (4/1)	248.17 (2/4)
SWEDEN						
Affärsvärlden Gen. (1/2/37)	1309.0	1309.7	1302.6	1292.7	1317.88 (12/1)	1127.20 (2/4)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	829.1	830.0	823.3	823.2	830.0 (29/6)	737.6 (27/3)
TAIWAN**						
Weighted Price (30/6/66)	(c)	5157.45	(c)	4995.38	12495.34 (10/2)	4995.38 (27/6)
THAILAND						
Bangkok SET (30/4/75)	1082.67	1060.22	1057.06	1053.13	1082.67 (2/7)	760.39 (7/2)
WORLD						
M.S. Capital Intl. (1/1/70)	(u)	520.4	518.5	517.7	571.0 (4/1)	468.3 (2/4)

**Saturday June 30: Taiwan Weighted Price: 5049.58. Korea Comp Ex. 706.79

♦ Subject to official recalculation.

Aorb Base values of all indices are 100 except: Brussels SE, ISEQ Overall and DAX—1,000, JSE Gold—255.7, JSE 26 Industrials—264.3 and Australia All Ordinary and Mining—500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks

Monday July 2 1990

	Stocks Traded	Closing Prices	Change on day
Tokyo Steel	9.8m	4,700	+120
Mitsui Eng & Shipbldg	5.7m	916	+7
Sekisui Chemical	5.4m	1,570	+60
Godo Steel	5.3m	2,070	+120
Daiwa House	5.3m	2,590	+60
Kawasaki Heavy Ind	4.9m	861	0
Fuji Photo Film	4.5m	4,630	-90
MHI	4.5m	999	-1
Sony	4.5m	8,360	-220
Kyocera	4.5m	8,800	+10

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will change neither hotel nor newspaper. That's why they are particularly happy to find complimentary copies of the Financial Times at the following hotels in Cannes: Hotel Carlton, Novotel Montfleury.

FINANCIAL TIMES
EUROPE'S BUSINESS NEWSPAPER

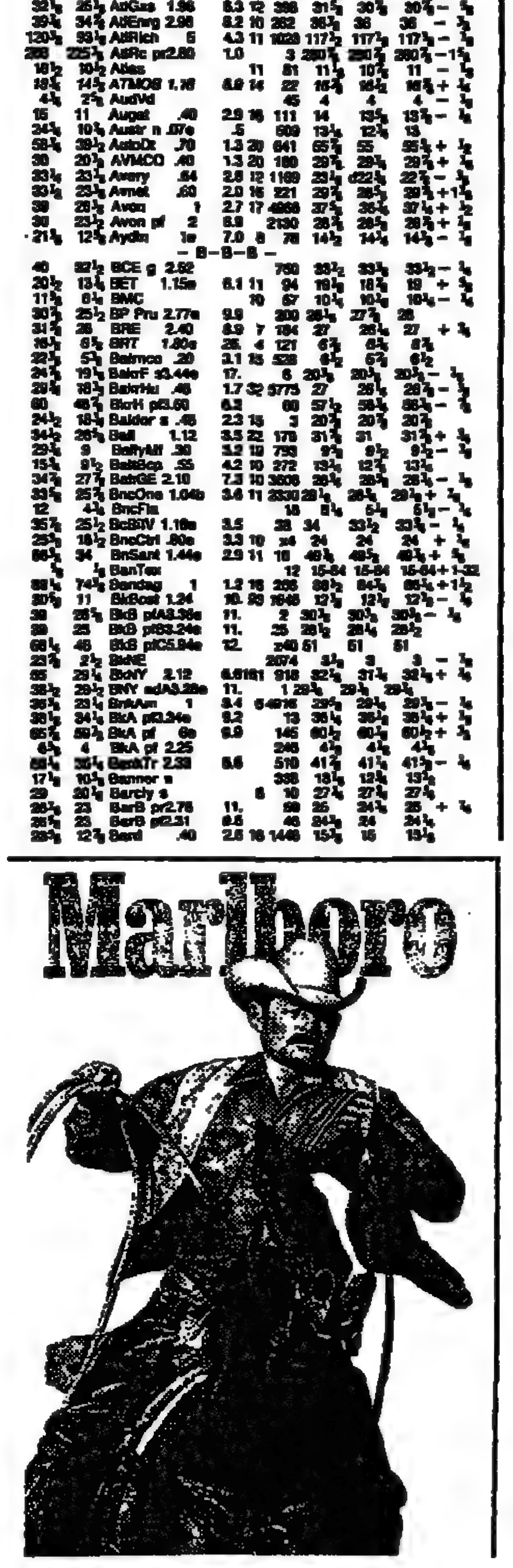
AMEX COMPOSITE PRICES

4pm prices July 2

4pm prices July 2

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		– A – A – A –								
37½	19	AAR	.48	2.0	16	385	24⅛	23½	23⅝	– ⅞
9⅞	8	ACM n	1.01	12.		149	8⅞	8⅝	8⅞	+ ⅛
11⅝	9⅝	ACMIn	1.26	12.		502	10⅛	10⅛	10⅛	
9¾	7⅞	ACM M	n1.01	13.		121	8⅛	8	8	
12⅛	10	ACMMM				46	10⅞	10⅞	10⅞	
11½	9⅞	ACM Sc	1.26	13.		688	10⅛	10	10	
8⅞	8⅛	ACMSp	1.01	12.		288	8⅜	8¼	8⅜	– ⅛
24⅝	14⅝	AL Lab	.16	.7	21	374	23¾	23	23⅛	+ ⅛
6⅝	2½	AM Intl				519	2½	2⅜	2½	
23⅞	10⅝	AM In pf	2	16.		13	12⅞	12⅛	12⅛	
107¼	52½	AMR			12	1456	64¼	63⅞	64⅛	
4⅛	3	ARX				2	3⅝	3⅝	3⅝	
72⅞	40½	ASA	3a	6.6		674	46	45¼	45⅝	+ ⅛
42⅛	28⅞	AbtLab	s.84	2.0	21	5173	41	40½	41	– ½
15½	11¼	Abitibi g	.50			19	13½	13⅜	13⅜	– ⅛
12⅛	8	AcmeC	.40	4.9	10	63	8¼	8	8⅛	
9⅞	7⅞	AcmeE	.32	3.9	10	55	8½	8¼	8¼	– ⅛
41⅞	26⅞	Acuson			24	693	40½	38½	40½	+1⅞
16½	13¼	AdaEx	2.00e	13.		160	16¼	16	16⅛	
15⅞	10	Adobe				40	11⅝	11⅜	11⅜	– ⅛
20¼	16	Adob pf	1.84	9.4		16	19½	19½	19½	
21⅝	20⅛	Adob pf	2.40	12.		7	20⅝	20⅝	20⅝	+ ⅛
11⅞	6⅞	AMD			21	6116	9⅞	9⅜	9¾	+ ⅛
33⅛	28¾	AMD pf	3	9.5		52	31⅞	31½	31½	– ⅛
10⅛	3⅞	Advest	.16	3.7	56	500	4⅜	4⅛	4⅜	+ ⅛
62½	45¼	AetnLf	2.76	5.2	9	747	52¾	52¼	52⅝	+ ½
13⅞	9⅜	AfilPb	.24	2.2		344	10⅞	10⅜	10⅞	
25	18⅛	Ahmans	.88	4.2	10	3456	20⅞	20¼	20⅞	+ ⅛
3⅝	1⅞	Aileen				58	2⅜	2⅛	2⅜	
66	40	AirPrd	1.44	2.6	14	663	56⅞	56¼	56¼	– ⅛
24⅛	14	AirFrt s			15	540	22½	21⅝	22½	+1½
25⅛	15½	Airgas			31	166	19⅞	19¼	19⅝	+ ⅜
20⅞	15½	Airlease	2.52	14.	9	24	18⅜	18	18	– ½
10½	9⅛	AlaP dpf.87		9.3		5	9⅛	9⅛	9⅜	
[illegible]										



Continued on Page 41

NYSE COMPOSITE PRICES

Continued from previous Page

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
[illegible]										
27⅞	18¾	XTRA pf1.94		9.7		2	20⅞	20	20	− ⅞
4¼	1½	Zapata				490	1¾	1⅝	1⅝	
12	5⅝	Zemex				44	5¾	d 5½	6½	− ⅛
⅞	⅛	Zemex rt				291	u7-16	⅜	7-16	+ 1-16
19	7⅞	ZenithE				657	6⅞	6⅝	6⅞	
21½	13½	ZenNtl	.88	5.8	9	19	15⅞	15¼	15⅛	− ¼
9⅜	5⅝	Zenix	.90	15.		93	6	5⅞	6	+ ⅛
18½	12⅞	Zero s	.40	2.8	14	25	14½	14¼	14⅜	
49	34⅝	Zurnin	.76	1.6	21	144	u49⅛	48⅝	48⅞	+ ⅜
12⅞	10⅝	Zweig	1.21e	11.		268	11½	11¼	11⅜	
10	9	ZweigTl	.98	10.		1052	9¼	9⅛	9¼	+ ⅛

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

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NASDAQ NATIONAL MARKET

3pm prices July 2

Stock	Div.	Sales 100s	High	Low	Last	Chng
[illegible]						
Wolohn	.28b	11 40	18½	18	18½	+ ½
WhExp		843	7⅞	7⅛	7¼	
Wolv wt		147	3¼	3⅛	3¼	+ ⅛
Worthg	.60	18 461	24⅝	24⅜	24⅜	− ⅛
Wyman	.80	144	13¾	13¼	13¼	− ½
−X−Y−Z−						
XL Das		8 1081	15¼	14⅞	15	+ ⅛
XOMA		1080	22⅞	22¼	22⅞	− ¼
Xicor		311	3¼	3	3⅛	
YanEnS	1.62e	11 68	19½	19	19¼	− ¼
YelowF	.76	48 1088	27⅞	27⅛	27⅜	− ⅛
YorkRs		22 295	15⅛	14⅞	15	
ZionUt	1.44	9 9	28½	28¼	28¼	− ⅛

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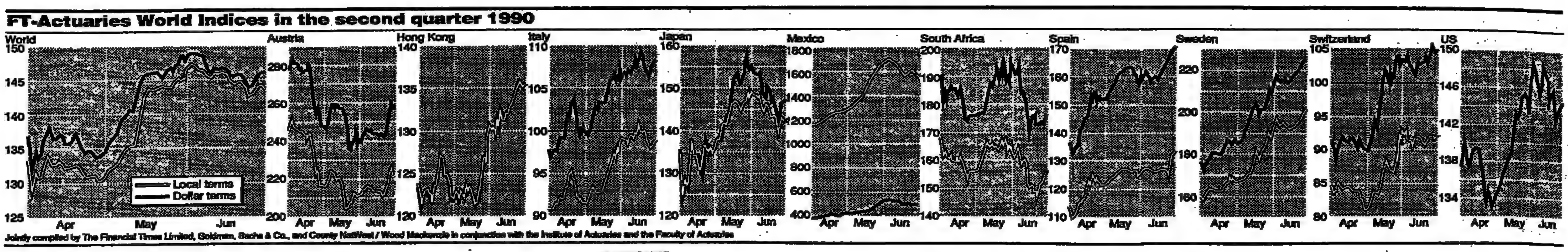
FINANCIAL TIMES

FT-Actuaries World Indices in the second quarter 1990



Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest / Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

AMERICA

Quiet equities anticipate Fourth of July holiday

Wall Street

THE PROSPECT of Wednesday's Fourth of July holiday helped keep equity trading in check through most of the day yesterday in dull trading before a late burst of futures-related programme selling pushed equities higher, *writes Karen Zagor in New York.*

The Dow Jones Industrial Average closed 18.57 points at 2,899.26. Volume on the New York Stock Exchange was light, with 130.4m shares changing hands. On Friday, the Dow was quoted 1.98 points higher at 2,880.69.

Although the Dow gained ground yesterday afternoon, the overall tenor of the market was mixed, with advancing issues having only a slight edge on those declining, by 779 to 736. Among other market indices, the American Exchange Composite was off 1.07 points at 360.14, while the Standard & Poor's 500 added 1.50 points to 359.52.

The market was unmoved by June's purchasing mangers' index, which increased 51.1 per cent, after rising 50.7 per cent in May. An increase of more than 50 per cent is interpreted as showing an expansion in manufacturing.

A number of blue chip issues moved higher yesterday, including IBM, which added $1¼ to $118⅝; Philip Morris, which rose $⅛ to $47; Johnson & Johnson, which gained $2 to $69⅝; and American Telephone and Telegraph, which advanced $¼ to $38⅝.

General Instrument surged $9⅝ to $45⅝ after the company received a takeover bid of $44.50 a share, worth about $1.6bn, from Forstmann Little, a leveraged buy-out firm.

Among other takeover issues, Kay Jewelers soared $3⅝ to $14⅝ after agreeing to a stock-swap deal with Ratners Group of the UK, which values Kay Jewelers at $17 a share.

Long Island Lighting added $¾ to $20 after Kidder Peabody increased its investment rating on the stock after an appeals court upheld a 1989 settlement between the company and ratepayers.

Among other utility issues, Teco Energy added $⅛ to $29½; Potomac Electric Power was up $¼ at $21; Pacific Gas & Electric slipped $⅛ to $23⅛; and PacifiCorp was unchanged at $21¼.

Concern about second quarter earnings continued to dominate trading. Smith Corona, which said it expects to post "a small loss" in the June quarter, fell $⅝ to $5⅝. The company also said it might reduce its quarterly dividend to about 5 cents a share from 15 cents.

In over-the-counter trading, the NASDAQ Composite slipped 0.25 to 462.04 in late trading. Regency Cruise was unchanged at $2⅛ in heavy trading; Apple Computer fell $⅝ to $44; and MCI Communications was unchanged at $41⅝. Digital Sound dropped $4¼ to $5 after the company said it would probably record a loss in the second quarter.

Pathe Communications, which has run into trouble over the financing of its takeover bid for MGM/UA, closed unchanged at $3¼. The company is being sued for $100m by Time Warner after the collapse of an accord whereby Time Warner had agreed to lend Pathe $650m for the takeover. Shares in Time Warner dropped $⅛ to $100 yesterday, while MGM fell $⅝ to $16⅝.

● Toronto was closed for Canada Day.

EUROPE

Frankfurt rises on German monetary union

GERMAN monetary union was spiced by individual situations in Amsterdam, Paris and Milan yesterday, *writes Our Markets Staff.*

FRANKFURT celebrated monetary union, and the strong performance of the D-Mark. Domestic institutions and traders took the FAZ index up 9.54 to 805.18 at midsession and the DAX by 35.40, or 1.9 per cent, to 1,915.30 at the close.

This leaves the indices just 3.1 and 2.7 per cent below the highs that they reached on April 3 and March 30 respectively; and there is domestic support for the thought that they could be 10 or 20 per cent higher by this autumn.

However, old hands are questioning whether this rally has yet begun. They want to see foreign buying, a sizeable fall in bond yields, and some proof that East German spending and reconstruction problems can be ingested safely.

Volume rose from DM5.8bn to DM7.5bn. The Bundesbank's average bond yield fell another three basis points to 8.83 per cent. Some blue chips outpaced the market, with Siemens up DM20 at DM768.50, Deutsche Bank DM16 at DM811.50, Daimler DM17.50 at DM861 and Volkswagen DM17 at DM7640, a new high for the year. Chemicals lagged behind, only modestly higher with their earnings at the soft stage of the industry cycle.

Allianz, which has recently joined the front runners, also made a new high, with a DM83 gain to DM2,848. It gained approval late yesterday from East Germany's cartel office for its assumption of control of the country's state-owned insurance group, Stätlichversicherung.

The cartel office ruled against the planned takeover of East Germany's energy network by three West German utility-oriented companies, Veba, RWE and Bayernwerk (40 per cent owned by Viag). Yet RWE rose DM11.50 to DM507.50, Veba DM7.50 to DM449 and Viag by DM7.50 to DM423.

AMSTERDAM saw Philips, the electronics group, drop 7.3 per cent after Mr Jan Timmer, the new president, forecast a Fl 2bn loss for 1990 compared with a Fl 1.37bn net profit last year. The loss will follow restructuring moves, including a cut in the workforce of 290,000 by about 10,000, for which the company is setting aside Fl 2.7bn. The blue chip stock lost Fl 2.40 to a year's low of Fl 30.70, although it ended above its day's low of Fl 30.40.

Figures for the first five months revealed that Philips' difficulties were more widespread than expected, and not confined to the computer systems and chip businesses, said Mr Will Gooskens of James Capel in Amsterdam. The stock was likely to trade within the Fl 30-Fl 35 range for the next few months, said Mr Gooskens, depending on the company's decision on whether or not to pay a dividend.

Philips' earnings news meant a nervous day for other blue chips, with most easing in moderate trading of Fl 494m, of which Fl 59m was accounted for by Philips. Insurers, however, rose after a favourable newspaper report, with NatNed up 80 cents at Fl 73.80 and Aegon Fl 1.20 higher at Fl 131.30.

Infotheek, the automation company, rose Fl 1.50 to Fl 31.50 after it predicted a rise in 1990 turnover and announced that it would take 57 per cent of Formula Micro, a Danish computer dealer. The CBS tendency index was unchanged at 121.5.

PARIS had a quiet session as foreign investors concentrated on West Germany. Even a rise in the Matif failed to inject life into the equity market, where the CAC 40 index closed at 2,029.54, down 5.49, after moving within a nine-point trading range all day.

Turnover was estimated at FFr2bn after FFr3.3bn on Friday, when there had been some active trading of blue chips.

One of the few significant movers yesterday was Esso France, which gained FFr33, or 4.1 per cent, to FFr839 on speculation that the company will receive a higher-than-expected price for its Paris headquarters. Scoa, the trading group, slipped 80 centimes to FFr25.20 in active trading after a 25 per cent block was traded. A total of 922,800 shares of Scoa changed hands.

MILAN fell in response to last Friday's statement by Mr Gianni Agnelli, Fiat chairman, that the carmaker was unlikely to repeat its 1989 record earnings this year. The mechanical and automobile sector index fell 2.4 per cent, twice as fast as the Comit index, which fell 8.65 to 745.11. Fiat was heavily sold, dropping L339 to L9,900.

Elsewhere in industrials, Olivetti continued last week's slide on bearish earnings expectations for 1990, and slipped L166 to L6,419 before edging up to L6,450 after hours. Mr Carlo de Benedetti's CIR holding company fell L100 to L5,400 in sympathy.

MADRID rose in the afternoon after a weak start, with the general index gaining 1.45 to 297.25. Fecsa, the electrical utility, gained Pta16 to Pta678 after Friday's news of a return to profit.

HELSINKI declined in thin trading, with the Unitas all-share index losing 5.9 points, or 1.1 per cent, to 540.9.

Ibusz steadies after lively debut

By Nicholas Denton in Budapest

THE SHARE price of Ibusz, the Hungarian travel agency, has stabilised at a high mark-up on its issue price following the violent fluctuations which characterised the company's initial trading on the Budapest and Vienna stock markets.

Ibusz shares closed yesterday at Ft9,800, almost double the Ft4,900 of last month's public offering, which was 28 times oversubscribed. The latest price values the company at Ft11.5bn ($180m).

The share price has been volatile because of unsatisfied demands from foreign investors, as well as political controversy over the method of flotation. Prices peaked at Ft12,500, but fell back sharply late last week after Mr Gyorgy Matolcsy, a government minister, criticised the joint listing on the Vienna market. A parliamentary committee hearing into the matter on July 5 could revive the market's nervousness.

Ibusz is the first Hungarian company to be privatised by means of a public offering and flotation, and its shares are the only ones formally listed on the newly opened Budapest Stock Exchange.

Dealing in the company's shares, therefore, has dominated the BSE since they were floated on June 21, the day the exchange opened. Yesterday, no other stocks were traded.

Budapest SE

Date	Ibusz turnover (Ft m)	Ratio of Ibusz turnover to BSE total	Price (Ft)
Jun 21	30	–	7,200
Jun 22	250	76.5	9,900
Jun 25	213	92.7	12,100
Jun 26	109	90.2	10,800
Jun 27	138	93.1	10,600
Jun 28	73	86.5	9,450
Jun 29	65	86.0	9,450
Jul 2	72	100	9,800

SOUTH AFRICA

FURTHER gains in the bullion price lifted Johannesburg gold shares, but trading was mostly cautious. The JSE gold index rose 58 to 1,580, but the industrial index was little changed. Vaal Reefs rose R10.50 to R303 and Rustenburg Platinum added R2.50 to R89.50.

ASIA PACIFIC

Nikkei average tops 32,000 again

Tokyo

RECEDING fears of an imminent increase in the official discount rate led to late strength in equities yesterday, which took the Nikkei average over 32,000 again, *writes Michiyo Nakamoto in Tokyo.*

Early uncertainty hung heavily over the market and share prices eased in dull trading. Investors had remained sidelined, in spite of a strong rise in the yen, as interest rate fears grew. However, stability on the bond market drew investors into earnings situations later in the day; with some bargain-hunting, and some arbitrage buying too, the Nikkei rebounded to finish up 219.09 at the day's high of 32,160.23.

The low was 31,766. Advances led declines by 520 to 405 with 195 unchanged. Volume was 380m shares, down from Friday's 550m; the Topix index of all listed shares gained 5.34 to 2,348.70; but, in London, the ISE/Nikkei 50 index eased 0.81 to 1,759.29.

There was a lack of institutional commitment. International events such as German monetary union, the upcoming Communist Party Congress in the Soviet Union and the Houston summit of the Group of Seven leading industrial nations kept institutional investors cautious.

"On German influence, the perception is that there is not going to be as much of a squeeze on rates as previously feared," said Mr Paul Muller at Schroder Securities. It will take some time, however, to determine the impact on German interest rates and, in the meantime, investors fear rates at home look more likely to rise before they fall.

Buying focused on special situations, such as the smaller construction companies with more volatile share prices, which are likely to benefit from the increased ten-year public spending target agreed in the Structural Impediments Initiative talks with the US. Maeda Road Construction, a firm with good business results and a small equity capitalisation, gained Y160 to Y3,010.

Housing issues were popular on prospects of increased business; the government is expected to allocate 60 per cent of its public works spending to housing and sewerage systems. Daiwa House Industry, Japan's second largest home builder, rose Y50 to Y2,590 in active trading.

Earnings situations included Tokyo Steel Manufacturing, an electric furnace steelmaker which surged to an ex-rights high of Y4,700, up Y120. Investors responded favourably to the company's forecast of record pre-tax profits in the year to March 1991 after record domestic crude steel production. The low price/earnings ratio of the issue also encouraged buying. Tokyo Steel Manufacturing was first in volume with 9.8m shares.

Godo Steel, another issue with a low p/e, rose Y120 to Y2,070 on expectations of record profits in the year to March 1991. The prospect of higher demand for steel products due to increased public works spending also gave medium-sized steel issues support.

In Osaka, profit-taking in recently popular high-technology issues undermined share prices. The OSE average lost 130.91 to 35,437.05 on volume of 53m shares, down from 63m on Friday.

Roundup

CONFIDENCE was high in Hong Kong and Thailand, which advanced in busy trading, but other leading markets were mostly weaker. Kuala Lumpur was on holiday and Taipei was shut for the stock exchange and the banks to clear their books at the start of the new financial year.

HONG KONG rose 1.4 per cent to a post-October 1987 crash high in heavy turnover of HK$2bn, up from Friday's HK$1.72bn. The Hang Seng index gained 41.23 to 3,319.47. Laggards and second-line stocks attracted most of the buying interest.

World International, a trading group, rose HK$1.25 to HK$4.40, Hang Seng Bank gained 40 cents to HK$21, and Dairy Farm, which recently bought a New Zealand grocery chain, added 25 cents to HK$9.90.

There was selective buying in the property sector, with Cheung Kong, Hang Lung Development and New World Development each rising 10 cents to HK$12.90, HK$5.85 and HK$11.60 respectively.

BANGKOK continued to rise in an active session, with the SET index rising 22.45, or 2.1 per cent, to 1,082.67 in turnover of 6.4bn baht. Demand was high for financial stocks in anticipation of second quarter results.

MANILA declined in nervous trading, with investors worried that Imelda Marcos, the late dictator's wife, might be acquitted in the US on racketeering charges, and by the kidnapping in the Philippines of a US Peace Corps worker. The composite index lost 12.81 to 870.17 in volume boosted by block trades in a mining stock.

SEOUL advanced in a technical reaction to its recent losses; the composite index added 6.39 to 713.18, after falling 13.21 on Saturday. Turnover was light at Won93.4bn.

NEW ZEALAND rose on selective buying by foreign investors, which lifted the Barclays index 11.20 to 1,773.16 in moderate trading. Fletcher Challenge added 4 cents to NZ$4.29.

AUSTRALIA weakened in quiet trading as the All Ordinaries index lost 4.1 to 1,496.6 with 66m shares, worth A$117m, changing hands. One winner was News Corp, up 15 cents at A$11.45 after its recently announced asset sales.

SINGAPORE also eased in thin trading before today's holiday. The Straits Times Industrial index fell 2.61 to 1,524.35.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	MONDAY JULY 2 1990								FRIDAY JUNE 29 1990					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1990 High	1990 Low	Year ago (approx)
Australia (80)	141.62	+0.1	119.08	135.40	122.08	118.21	−0.5	5.88	141.52	120.27	136.20	122.54	118.84	158.31	125.65	131.02
Austria (19)	258.28	+0.8	217.13	246.94	222.64	222.18	+0.3	1.21	256.30	217.82	246.67	221.93	221.52	285.63	193.15	121.94
Belgium (61)	152.22	+0.9	127.97	145.52	131.21	127.82	+0.5	4.53	150.83	128.18	145.15	130.60	127.21	160.02	132.11	129.06
Canada (119)	138.11	+0.4	116.11	132.04	119.04	116.16	+0.0	3.49	137.52	116.87	132.34	119.07	116.16	153.61	130.37	140.54
Denmark (33)	258.99	+0.5	217.73	247.62	223.24	221.91	−0.1	1.30	257.71	219.02	248.02	223.14	222.13	281.19	236.69	201.34
Finland (26)	135.38	+0.3	113.82	129.44	116.70	110.45	−0.4	2.48	135.00	114.73	129.93	116.90	110.88	152.29	129.99	139.93
France (124)	161.08	+0.3	135.42	154.00	138.84	140.55	−0.3	2.92	160.62	136.50	154.57	139.07	140.97	168.85	141.69	120.62
West Germany (92)	135.93	+1.8	114.28	129.98	117.17	117.17	+1.3	1.91	133.59	113.53	128.58	115.67	115.67	137.71	122.05	91.02
Hong Kong (46)	137.59	+1.5	115.67	131.55	118.61	137.55	+1.5	4.56	135.61	115.25	130.51	117.43	135.58	137.59	112.24	94.11
Ireland (17)	190.87	+0.9	160.46	182.48	164.52	166.01	+0.2	2.64	189.21	160.80	182.10	163.83	165.65	198.57	172.72	134.57
Italy (96)	107.17	−0.9	90.10	102.46	92.38	97.41	−1.4	2.41	108.16	91.92	104.09	93.65	98.77	109.28	91.85	85.71
Japan (454)	148.66	+0.9	124.98	142.13	128.16	142.13	+0.3	0.59	147.27	125.16	141.73	127.53	141.73	197.26	124.40	175.64
Malaysia (35)	230.24	+0.2	193.56	220.11	198.46	239.90	+0.0	2.26	229.85	195.34	221.20	199.02	239.90	245.32	204.15	181.99
Mexico (13)	501.52	+1.2	421.63	479.49	432.30	1569.60	+1.2	0.33	495.74	421.31	477.10	429.26	1550.98	549.86	324.53	249.16
Netherland (43)	142.19	+0.3	119.54	135.96	122.57	121.04	−0.2	4.66	141.83	120.54	136.50	122.81	121.31	145.68	130.43	120.26
New Zealand (17)	65.48	+0.8	55.05	62.61	56.45	58.87	+0.5	7.53	64.95	55.20	62.51	56.24	58.56	75.36	59.57	64.98
Norway (23)	236.29	+0.4	198.65	225.91	203.68	204.14	−0.2	1.47	235.27	199.95	226.43	203.72	204.46	245.90	202.34	178.32
Singapore (25)	200.25	−0.1	168.35	191.45	172.61	169.15	−0.4	2.00	200.36	170.28	192.82	173.48	169.89	207.93	179.70	158.24
South Africa (60)	176.06	−0.5	148.01	168.32	151.75	158.05	+1.2	3.77	176.90	150.34	170.25	153.17	156.24	251.39	170.00	149.95
Spain (42)	172.17	+0.7	144.74	164.61	148.41	132.85	+0.1	4.03	170.94	145.27	164.51	148.01	132.54	172.17	132.84	149.99
Sweden (34)	226.77	+0.9	190.65	216.82	195.48	201.60	+0.4	2.01	224.83	191.08	216.38	194.68	200.78	226.77	173.89	166.26
Switzerland (67)	105.80	+0.7	88.95	101.16	91.21	92.06	−0.2	2.25	105.11	89.33	101.16	91.02	92.24	105.80	88.75	81.77
United Kingdom (304)	169.38	+1.0	142.40	161.93	145.99	142.40	−0.1	4.77	167.75	142.57	161.43	145.24	142.57	169.38	139.87	141.22
USA (539)	145.29	+0.4	122.14	138.91	125.24	145.29	+0.4	3.34	144.68	122.96	139.25	125.28	144.68	148.55	130.61	130.16
Europe (981)	152.16	+0.8	127.92	145.48	131.16	129.27	+0.0	3.53	150.95	128.29	145.28	130.71	129.22	152.16	135.67	119.56
Nordic (116)	210.91	+0.6	177.31	201.65	181.80	176.72	+0.1	1.70	209.55	178.09	201.67	181.45	176.52	210.91	185.01	162.45
Pacific Basin (659)	147.86	+0.9	124.31	141.37	127.46	140.75	+0.3	0.92	146.52	124.52	141.01	126.87	140.36	192.75	124.63	170.92
Euro-Pacific (1640)	150.00	+0.9	126.11	143.40	129.30	138.73	+0.2	2.00	148.71	126.39	143.11	128.76	138.48	174.18	130.35	150.46
North America (658)	144.75	+0.4	121.70	138.41	124.80	143.35	+0.4	3.36	144.15	122.51	138.75	124.84	142.79	147.87	131.02	130.70
Europe Ex. UK (677)	140.28	+0.7	117.93	134.14	120.94	121.03	+0.1	2.73	139.32	118.40	134.11	120.66	120.86	140.28	124.81	105.71
Pacific Ex. Japan (205)	137.59	+0.6	115.67	131.57	118.61	121.59	+0.2	5.05	136.84	116.29	131.71	118.50	121.35	139.32	122.53	114.62
World Ex. US (1832)	150.07	+0.6	126.16	143.49	129.36	136.62	+0.2	2.06	148.82	126.47	143.23	128.86	136.38	173.77	131.30	150.17
World Ex. UK (2067)	145.08	+0.7	121.97	138.71	125.07	139.06	+0.3	2.24	144.12	122.48	138.71	124.81	138.83	162.00	130.80	142.12
World Ex. So. Af. (2311)	147.05	+0.7	123.63	140.61	126.77	139.21	+0.3	2.49	146.03	124.10	140.55	126.45	138.85	161.84	131.95	141.98
World Ex. Japan (1917)	147.96	+0.6	124.39	141.48	127.56	138.09	+0.3	3.49	147.13	125.04	141.61	127.42	137.74	147.96	134.62	126.16
The World Index (2371)	147.23	+0.7	123.78	140.77	126.92	139.34	+0.3	2.50	146.21	124.26	140.72	126.61	138.97	162.05	132.25	142.03

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Markets closed July 2: Canada and Malaysia.

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SWEDEN

The Social Democrats are in deep trouble this summer, Page 2

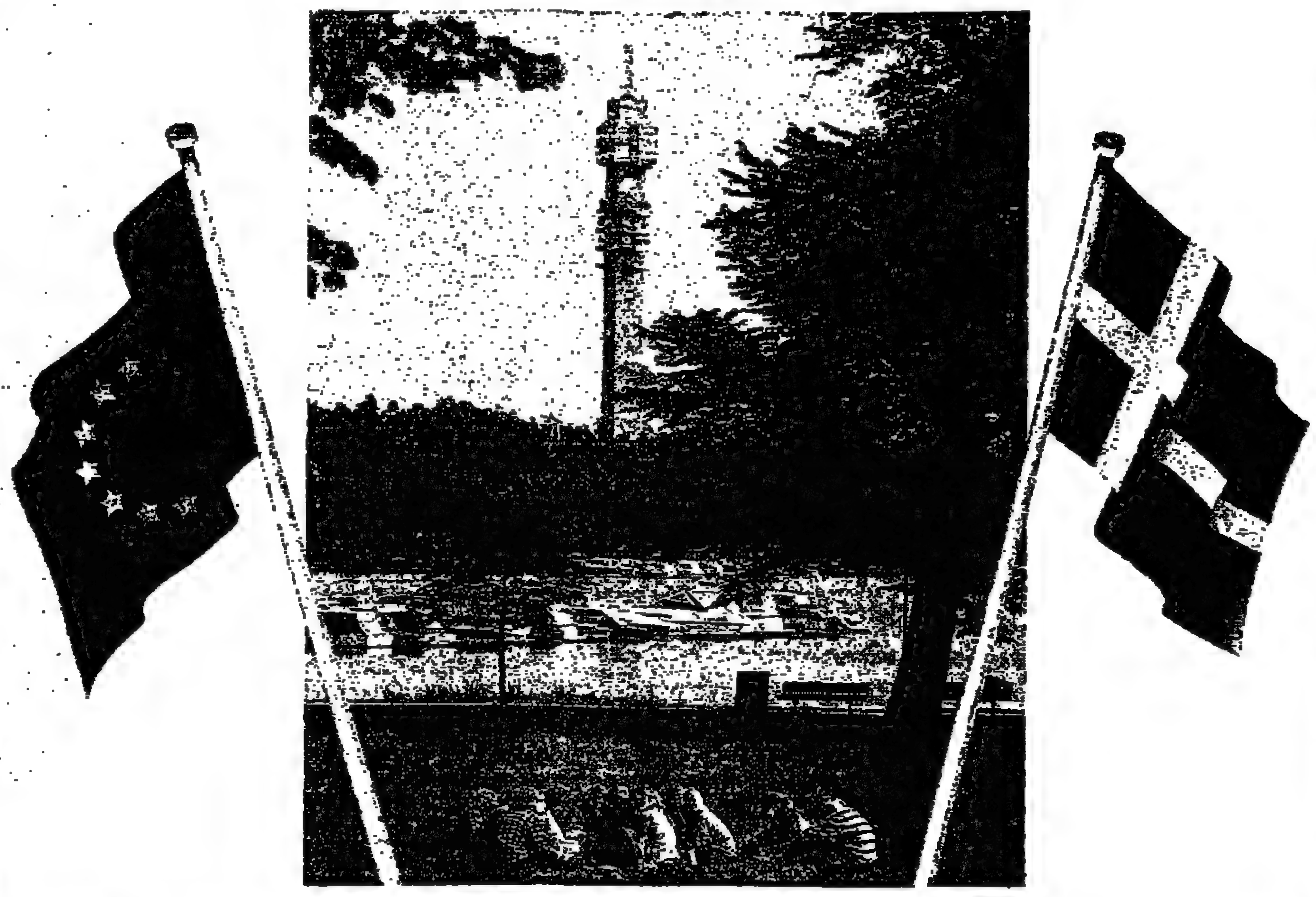
Storm clouds are gathering for the economy, Page 3

SECTION III

Tuesday July 3 1990

The next 16 months leading up to the general election will be critical as Sweden shapes up to the changing face of Europe. Are the Social Democrats 'yesterday's men'? asks **Robert Taylor** as he examines the mood in the one-time progressive idyll of the north

To join or not to join the EC



In the haze of mid-summer the debate about Sweden's entry to the EC continues

Alan Harper

SWEDEN is going through a period of transition at an ever-increasing speed as it readjusts to the realities of the new Europe.

Once the progressive idyll of the north – the admiration of the democratic Left and the nightmare of the radical Right – neutral Sweden is having to come to terms with the end of the Cold War in Europe, the creation of the European Community's internal market and the unification of Germany.

The country remains one of the most affluent in the world. The international comparative statistics confound the sweeping generalisations made by those who visit Sweden with preconceived prejudice. In the haze of mid-summer, it is wrong to use cliches such as "crisis", "malaise", "death of the Swedish model" to describe what is happening.

But, in fact, Sweden is going through a profound transformation in which all the basic assumptions on which it avoided two world wars and prospered in this century are being reappraised. Most Swedes do not really like what is happening. They would prefer that Europe adjusted to them. But the more sensible accept they have no real choice.

In practice, this means Sweden must become a full member of the European Community. Increasingly the question is not *if* but *when* Sweden will join the EC. The tempo of the European debate has quickened over the past six months. The EC issue will head the agenda at the September 1991 general election now that the main opposition Moderate party leader Carl Bildt has made it clear he wants to see Sweden's application to Brussels next year. The Liberals are also in favour of Sweden's EC membership and rank-and-file opinion in the rural Centre party is growing more sympathetic.

The ruling Social Democrats under Mr Ingvar Carlsson want to see a successful completion of the negotiations that began a fortnight ago on a 19-nation European Economic Space between the European Free Trade Association and the EC so it can come into being on January 1, 1993 alongside the EC internal market.

But even many of them recognise that the EES can only be a transit station on the road to Brussels. Inside the Swedish Labour Movement the debate about the EC is becoming more intense but it is not an easy issue for the Government to handle. The LO blue-collar trade union organisation fears Sweden will abandon its commitment to full employment if it converges with the EC by bringing its currency into line with the exchange rate mechanism of the European Monetary System.

The Social Democrats hold their Congress this autumn at a moment when the party has sunk to its lowest position since opinion surveys first began. Time is running out rapidly for the Government. The world's most successful Social Democrats look set to record their worst election result since 1920 unless they can stage a recovery over the next 16 months. But this may depend on how decisive they can be in resolving the country's outstanding problems.

Moderate leader Carl Bildt says the Social Democrats are "yesterday's men". He insists Swedes are rejecting not merely the policies of the Government but its underlying values. "We had a 1989 here as well," he proclaims. "Our walls are coming down." Faith in Social Democracy has eroded rapidly. But much will depend on how the Social Democrats deal with their crisis. So many problems need solving but they threaten to demoralise the party still further.

Take the issue of nuclear energy, which has haunted the agenda of Swedish politics since the *mid 1970s*. Under pressure from Sweden's influential environmental movement, the government is committed to phase out its nuclear power by 2010 though half the country's electricity needs come from that source at the moment. The cost of phasing out all the country's nuclear power stations and developing more expensive alternative energy sources alarms much of Swedish industry which fears loss of competitiveness and resulting plant closures. Many companies are threatening to expand abroad for fear of exorbitant energy costs.

Earlier this year a Social Democratic committee chaired by Mr Carlsson proposed the non-nuclear commitment must remain but only if Parliament agreed to lift the legal ceiling on the level of carbon dioxide *emissions allowed. If the price* of the non-nuclear stance is more pollution, many policy-makers will think again. On the other hand, the anti-nuclear forces remain strong and any abandonment of the non-nuclear commitment would provoke serious political trouble. At present it looks as if Mr Carlsson will stand firm on the non-nuclear strategy in alliance with the Centre party.

The government also has to wrestle with a deteriorating economy. Further measures will be needed over the coming winter to deal with the underlying troubles of high inflation caused by an overheated labour market, stagnant growth, and a rapidly growing balance-of-payments deficit. Already the trade unions are threatening strike action to press for higher pay to compensate *for higher prices*, so more fiscal tightening would alienate the voters even more.

Devaluing the krona has been the Swedish way out of difficulties on many occasions over the past 50 years when the country's competitiveness began to deteriorate but such a strategy lacks credibility today. Exporting unemployment to protect its own full employment is a policy that other European market economies are unlikely to tolerate.

One significant change that has been agreed is the reform of Sweden's tax system, to be completed next January. The shift in the burden of taxation from incomes on to goods and *services represents a radical* departure from past practice and it is bound to make a profound impact on the behaviour of individuals and companies. Many tax reformers believe the changes are only the start of a process which will lead to a real reduction in the overall level of public expenditure to a figure closer to the European average.

During the 1990s Sweden is expected to grow much more like other western European economies. Sweden's People's Home – the Social Democratic concept – will become more of a social market economy like Germany not Britain.

The change will be a matter of degree. Even if the Social Democrats are in eclipse most of their achievements will not be abandoned in a blind rush into the market place. What we can expect to see is an attempt to create a new equilibrium where change is accommodated within the existing system. But Sweden may lack in the 1990s governments with the coherence and authority required to make tough decisions in the national interest. It may be an exaggeration to talk about a crisis of legitimacy emerging in the country in the next few years. But there is great uncertainty, doubt and some anxiety about the immediate future.

"The European train is leaving the station and we are not on board," laments Carl Bildt. A growing number of Swedes share a sense that the world may be passing them by. Whether there are enough of them to make a real change is still in doubt. This is why the next 16 months is so decisive.

IN THIS SURVEY

Swedish Prime Minister Ingvar Carlsson: facing problems

Editorial production: Roy Terry

SCANDIC CROWN HOTELS

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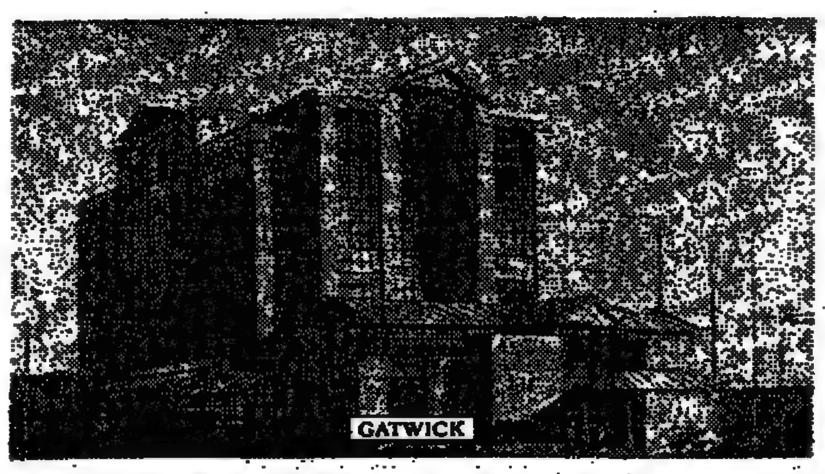
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The Social Democrats are in deep trouble, says Robert Taylor

Voters switching loyalties

THE future of Swedish politics has become increasingly unpredictable. The ruling Social Democrats are in deep trouble this summer. Their poll rating in May from the country's three main poll organisations stood between 32.8-33.7 per cent, the worst result they have recorded since opinion surveys began. At the last general election in September 1988 they secured 43.2 per cent of the total vote.

The decline of the Social Democrats can no longer be dismissed as a bout of mid-term blues. They dropped below the 40 per cent approval rating in May 1989 and have slid much further down since then.

Prime Minister Ingvar Carlsson said recently that he believed his party could carry on governing after the next general election which is due in September 1991 if it secures around 39 per cent of the popular vote but even that modest target looks distant at the moment.

It may be unwise to suggest that Sweden is living through the twilight days of Social Democratic domination but nobody can doubt that the party is facing its most serious crisis in more than half a century. Not since the 1920 general election has the party such low figures.

The opinion surveys suggest that 600,000 voters have deserted the Social Democrats since September 1988. The largest number of them seem to have moved further left to back the Communists, who recently went through a modish name change to become the Left party. But others have made the ideological leap across Sweden's political blocks to identify with the non-Socialist opposition parties.

The Social Democrats have lost heavily among significant sections of the electorate, particularly young people, those living in big city areas and among the white-collar salariat. Only around 23.4 per cent of those aged 18 to 29 now back the party. Nor can they rely any longer on backing from their core supporters in the dwindling manual working class. Only the old and people living in the far north of Sweden still seem loyal to the Social Democrats. In large swathes of the country the party is facing humiliation.

The decline of the Social Democrats can no longer be dismissed as a bout of mid-term blues

There are clear signs that the rigidity of Sweden's left/non-socialist blocks is breaking down with the rise of voter dealignment, a familiar trend in other democratic countries. But the picture is increasingly confusing and uncertain because of the lack of any credible political alternative to Social Democratic rule.

It is true that the right-wing Moderate party has grown much stronger since the 1988 general election when it polled 18.3 per cent of the votes. The latest surveys suggest it has between 25 and 26.2 per cent support now. This level of support in the 1991 general election would result in its best performance since 1928. However, the Moderates would need partners to form a coalition government.

The Liberals are its closest probable allies. That party has become more social market-oriented than it used to be. In recent months the Liberals have thrown their parliamentary support behind the Government over tax reform and an emergency economic package but this has done them no good electorally. In the latest opinion survey the Liberals scored around 12.5-13.5 per cent, only 0.3 per cent more than they secured at the 1988 general election.

Between 1948 and 1958 the Liberals were the biggest of the non-Socialist parties in Parliament but then fell into steep decline. In 1982 they polled a derisory 5.9 per cent and faced the horrific prospect of falling below the 4 per cent mark required to win parliamentary representation. Three years later under Bengt Westerberg's leadership they recovered to 14.2 per cent.

The Centre party – with the Moderates and Liberals – governed Sweden for much of the time between September 1976 and September 1982,- but they have won a reputation for unreliability. In recent years under Mr Olof Johansson's leadership the Centre has tended to move to the left of the Social Democrats on social issues but this tactic arouses deep misgivings inside the rank and file who tend to come from the rural areas of Sweden and dislike the collectivist approach of the Social Democrats.

The Centre does not appear to have been the beneficiary of the Social Democratic malaise either. With only 9 to 11.6 per cent in the latest poll compared with 11.3 per cent at the 1988 general election,it appears to be stagnating but it remains strong enough to be able to make or break any alternative to Social Democratic rule.

What the Moderates and Liberals would like to see is the arrival of the tiny Christian Democrats in Parliament as a potential coalition partner. The latest polls give them 3.5-4.5 per cent and tactical voting among the non-Socialist hard core could take them over the 4 per cent voting threshold they need for parliamentary representation next year. If this happened the little party would provide a useful addition to the non-Socialist force even if the arrival of a seventh party in Parliament would intensify the existing trend to electoral fragmentation.

The beleaguered Social Democrats can draw little comfort from their moody allies in the Left party, the former Communists. They appear to have picked up some discontented Social Democratic protest vote to give them 7.8-8 per cent in the latest opinion surveys, better than their 5.9 per cent in September 1988. It is only in the general elections of 1918 and 1944 that they have recorded higher voting figures. But their strength combined with the Social Democrats would be only 41.6 per cent, far short of the vote required to secure a parliamentary majority.

The Greens remain an unknown element. They have made little impact in their short time in Parliament

The Greens remain an unknown element. They have made little impact in their short time in Parliament and their latest support stands at around 4.8-6 per cent compared with 5.5 per cent at the 1988 general election. This suggests they will have to fight hard to hold their parliamentary presence.

An overview of Sweden's electoral arithmetic indicates that the 1991 general election will produce no clear-cut result. Indeed, the country seems doomed to a period of weak minority or coalition governments during the 1990s.

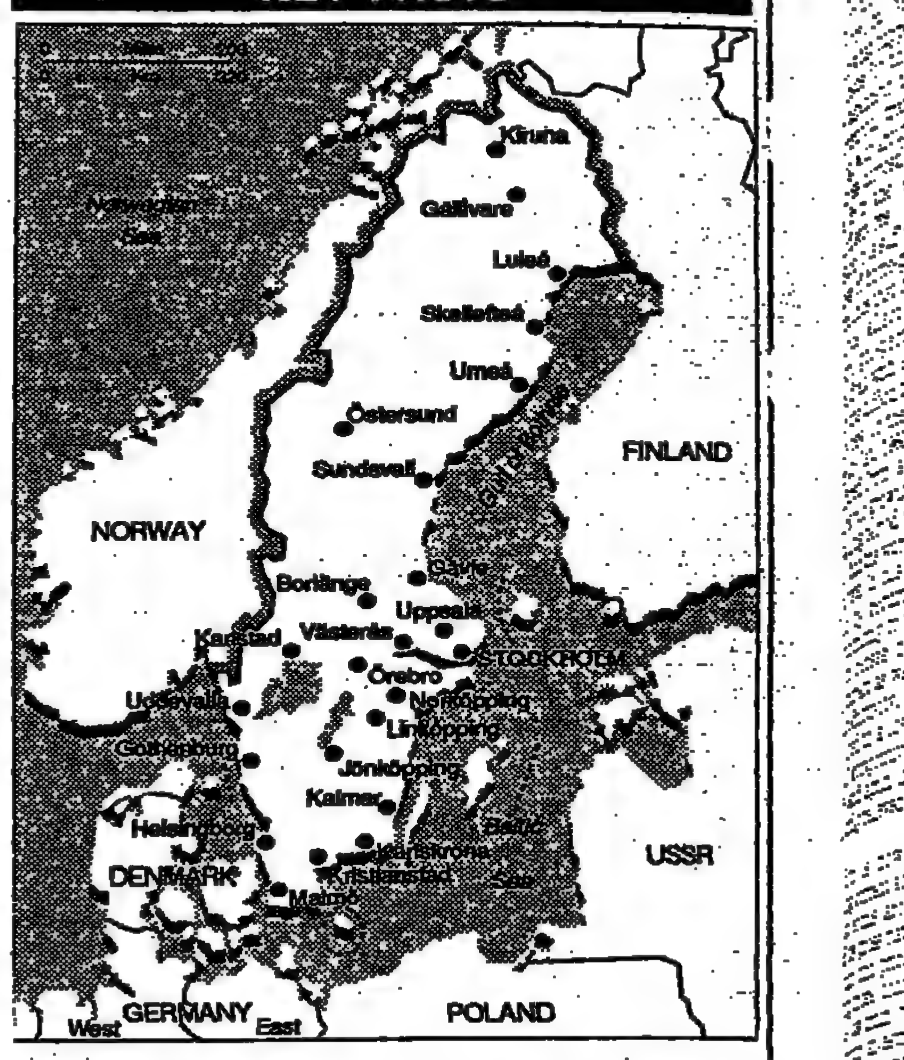
But the mood among the voters also suggests that many of them are increasingly cynical and impatient with the party choices. It would be an exaggeration to argue that Sweden is facing a crisis of political legitimacy but the numbers who have faith in the existing system has dwindled consistently over the past 20 years. In 1968, 37 per cent of voters believed the parties were only interested in the votes of people and not their opinions; by 1988 that figure had climbed to 65 per cent.

The number of don't-knows being recorded in the opinion polls is also unprecedented. The latest opinion surveys found as many as 15.6-22.8 per cent of Sweden's voters were unsure of who to vote for, which amounts to more than 1m people. The largest proportion of them appear to be among low income and blue-collar traditional Social Democratic supporters.

No doubt many of them can be expected to return to the fold in time for the September 1991 general election but Sweden appears to be experiencing a degree of voter volatility which it has not known for a very long time. It is estimated that as many as 35.4 per cent of voters have switched their party allegiance since the last general election in September 1988.

The stable political loyalties based on left and centre-right blocks that emerged with the rise to power of the Social Democrats in the 1920's seem to be eroding in the face of Sweden's changing realities.

KEY FACTS



Area	449,964 sq km
Population	8.5 million
Head of State	King Carl XVI Gustaf
Currency	Krona = 100 ore
Ave exchange rate	1988 $1 = SKr6.13
	1989 $1 = SKr6.45

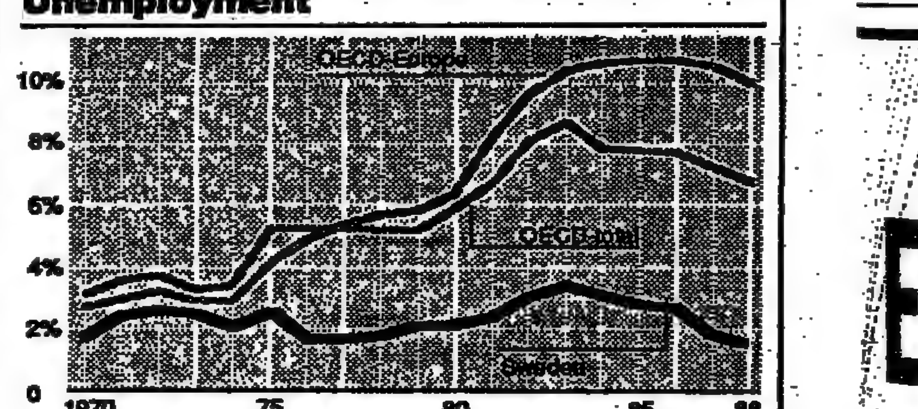
ECONOMY

	1988	1989
Total GDP ($bn)	178.4	189.4
Real GDP growth (%)	2.5	1.9
Components of GDP (%)		
Private consumption	52.1	
Gross fixed cap formation	19.6	
Government consumption	26.9	
Exports	32.4	
Imports	-30.7	
Current account balance ($bn)	-2.3	-6.0
Exports ($bn)	49.3	51.6
Imports ($bn)	44.6	45.6
Trade Balance ($bn)	4.7	6.0

MAIN TRADING PARTNERS (% of total value)

EXPORTS	
West Germany	12.1
UK	11.2
US	9.8
EC	52.2
EFTA	19.9
IMPORTS	
West Germany	21.1
UK	8.6
US	7.5
EC	55.8
EFTA	16.5

Unemployment



Source: OECD

	1988	1989
Consumer prices (% growth pa)	5.8	6.4
Producer prices (% growth pa)	5.8	8.1
Unemployment (% of lab force)	1.6	1.4
Total reserves minus gold ($bn)	8.5	9.5
Interest rates (% period averages)		
Riksbank discount rate	8.25	9.33
3-month Treasury Bills	10.08	11.50
Government bond yield	11.02	12.93
General share index (% change pa)	51	24
Stock market value (SKrbn)	614	734

Source: IMF, Datastream, Economist Intelligence Unit

Window of opportunity opens for the opposition

Fundamental division

THE apparent demise of the Social Democrats provides the opportunity for the opposition parties to seize the initiative and establish themselves as a credible alternative government after next year's general election. But they have always found enormous difficulty in working together on common ground and remain as divided as ever on fundamental issues.

The Swedish media and the pollsters like to talk about the so-called "bourgeois" block of the Moderates, Liberals and Centre party as if they constituted a solid alliance. In the latest poll, in combination with the Christian Democrats they have just over 50 per cent of the votes, enough to ensure them a net majority of parliamentary seats. But merely adding up the voting aggregate does not mean they could form a viable government, let alone stay in office for a full three-year term.

It is not just the sad experience of the six years of non-socialist governments between September 1976 and September 1982 that blights the picture, though memories of that period do not help. During those years the Centre party's single-minded conviction to phase out Sweden's nuclear power made effective government almost impossible. Indeed, the parties ruled within a Social Democratic framework of reference for most of the time, raising taxes and public spending to new heights and even nationalising lame-duck industries, something the Social Democrats never did.

The main non-Socialist parties continue to find it hard to work together on anything. There are some signs that their supporters would like to see a much closer relationship. But the creation of a joint programme for September 1991 looks most unlikely at the moment. A recent analysis of party voting patterns on the important parliamentary committees revealed the three parties unite on very little. On crucial questions like the EC, energy policy and taxation they remain split among themselves.

The main non-Socialist parties find it hard to work together. There are signs that their supporters would like a closer relationship, but a joint programme looks unlikely

This does not mean that circumstances cannot change after the next general election result. It is possible then that the pivotal Centre party will join forces with the Moderates and Liberals if the voting suggests a massive rejection of Social Democracy. If the Christian Democrats squeaked in as well it would help. Much will depend on how shrewdly Moderate leader Carl Bildt and his Liberal counterpart Bengt Westerberg handle what promises to be a delicate political situation.

The 40-year-old Mr Bildt is the man the Social Democrats will try and demonise in the general election campaign. Certainly Ingvar Carlsson can never resist the opportunity to attack Mr Bildt in an attempt to isolate him from the rest of the opposition, often in a bitter personalised way.

Elected to head the Moderates in 1986, he has a wider and deeper knowledge of foreign and defence issues than most Swedish politicians, but Mr Bildt can often look a divisive figure on a domestic scene that hankers after consensus. His unassuming, studious, bespectacled appearance strengthens his apparent earnestness but he should not be underestimated.

At present his party is the main beneficiary of the decline of the Social Democrats. Unlike the other opposition parties, the Moderates have neither sought nor been asked to provide broad-based support for the embattled government which has no overall parliamentary majority. Their position, untarnished by compromise, has strengthened as a result.

Mr Bildt believes public opinion is now running the Moderate way and ahead of most of the politicians in its readiness to see Sweden join the European Community, a cause he identifies with closely. Taking his country into the EC seems to have become his mission in life. He worries Sweden will leave it too late to seek EC membership until after the EC's crucial decisions on economic, monetary and political union have been taken. "Our window of opportunity to enter the EC is narrow and it is coming earlier than most people think," he asserts.

But the EC is an important part of his wider design; to move Sweden away from Social Democratic to liberal market values. Mr Bildt believes History is on his side. The Moderates see themselves by the end of the 1990s becoming the new predominant force in Swedish politics like the Christian Democrats have been in West Germany and the Conservatives in Britain.

Much will depend on how the party works in the short-term with the Liberals and a close link-up with them may prove difficult. Their 46-year-old leader Bengt Westerberg has come to the rescue of the government twice in the past eight months. His party gave the Social Democrats the crucial support they needed to push through the tax reform plans and this spring it agreed to provide the necessary additional votes in Parliament for the government to implement an economic restraint package designed to cool the overheated economy.


Alan Harper

Bengt Westerberg

From being a pillar of the non-Socialist alternative, the Liberals have become a support for the Social Democrats. But this may turn out to be a temporary friendship, born of political necessity, that will not last. Certainly, Mr Westerberg appears to believe his party's social liberal creed is better served by co-operating with other than the Social Democrats now that Mr Kjell-Olof Feldt is no longer Minister of Finance, a man with whom Mr Westerberg used to be able to do business.

But he also takes a gloomy view of the future of Swedish politics. "I think governments in the 1990s will be minority ones, even weaker than the present administration but they may not be coalitions," he says. "We are entering a period of instability like the 1920s and it will take some time for a more stable pattern to emerge." Mr Westerberg does not seem particularly close in personal terms to his erstwhile ally Mr Bildt and his private relations with the Centre party leader Olof Johansson are almost non-existent.

In Mr Westerberg's view what happens next will depend on "where the Social Democrats go". He believes Ingvar Carlsson would much rather co-operate with the Centre than the Liberals for temperamental as well as ideological reasons but such an option after September 1991 is fraught with difficulties.

In fact, the Liberal leader has been thinking ahead seriously. "We have to become more realistic, more open and co-operative with other parties," he declares. Like Mr Bildt he wants to see Sweden inside the EC. He also believes the existing welfare system must grow more sensitive to market demands but he remains a sturdy defender of the public services. In his mixture of tough financial probity and soft concern for what he calls the "forgotten Sweden" he can sound rather like the old British Social Democrats.

At the 1985 general election Mr Westerberg rescued his party from oblivion with his clean-cut and conciliatory television image but three years later he had a bad-tempered campaign after the Social Democrats made him their main enemy. Whether he can find common cause with Mr Bildt and Mr Johansson is problematic, though events may force them to work in harness.

Robert Taylor

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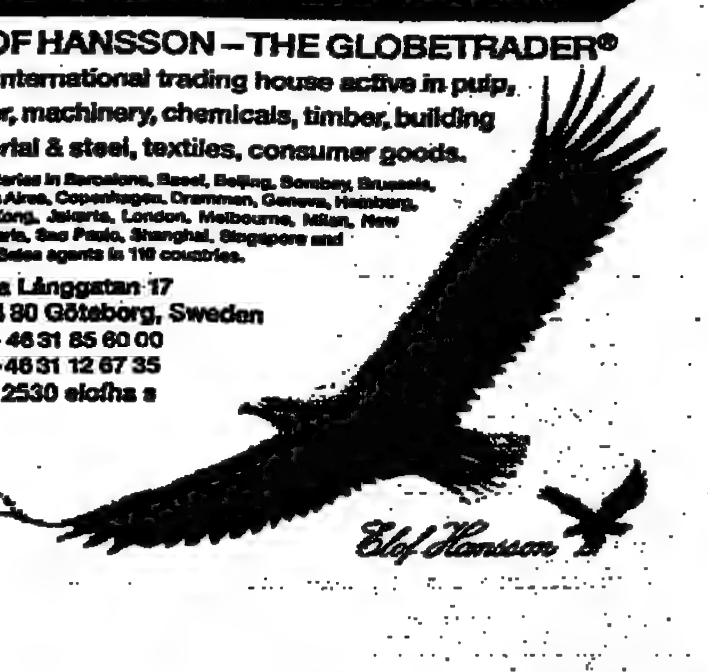


The economy's future is hard to predict, says Robert Taylor

Storm clouds are gathering

THE FUTURE of the Swedish economy in the 1990s remains hard to predict. Much will depend on what happens in the world outside for the country is more dependent than most on international trade for its well-being, with around a third of its gross domestic product coming from the export of goods and services.

But Sweden is suffering from a number of home-grown economic troubles that could have a serious effect on its long-term prospects unless they are dealt with effectively. None of the difficulties is particularly new for the country.

Since the late 1960s, Sweden has suffered from a relatively low economic growth. This followed a long period when with Japan it had the world's fastest growth rate. It has also been plagued by recurrent high costs due mainly to wage push inflation caused by a tight labour market as well as sluggish productivity. This has contributed to a loss in international competitiveness that in 1976 and again in 1982 was temporarily relieved by devaluation.

Sweden is now facing a mounting current account deficit that totals around 4 per cent of its gross national product; wage and price increases running more than twice as high as its main competitors; problematic investment levels and a dismal savings ratio.

The Ministry of Finance's medium-term strategy for the 1990s suggests Sweden's troubles will grow worse before they become better. The policy-makers hope a modest rise in registered unemployment will help to cool down the overheated economy and make the labour market more flexible. The Ministry argues: "The rate of employment consistent with stable inflation appears to be around or just below 2 per cent whereas in most other industrial countries it may be 5 per cent or more."

If the storm clouds over Sweden are familiar enough to the policy-makers this does not make it any easier to solve them. Last February the respected but increasingly exasperated finance minister Mr Kjell-Olof Feldt felt compelled to suggest a two-year wage and price freeze complete with strike ban to deal with the problems, a recipe that failed to convince Parliament and eventually led to the Government's brief resignation and his own abrupt departure from politics.

His successor, the cool and competent Allan Larsson, who transformed the country's

Prime Minister Ingvar Carlsson (right) and Finance Minister Alan Larsson: economic problems will grow worse

Labour Market Board during the 1980s, is convinced the economy is mending quickly. In April an emergency package was introduced by the Government in alliance with the opposition Liberals designed to dampen down demand through higher taxes, a freeze on increased local government spending and a postponement of social reforms.

This brought a sigh of relief to the financial markets and led to a fall in interest rates. Mr Larsson points to some encouraging signs in the manufacturing sector of a cooling down in the labour market with less turnover and a cut in absenteeism. He believes the overheated condition of the economy will cool even more over the next 12 months without the need for any drastic measures.

On the other hand, Sweden may have to endure a bout of labour conflict as talks collapsed a fortnight ago on a further pay rise for workers through a re-opening of the 1989-1990 national pay agreement to compensate them for the increase in the consumer price index since the beginning of the year.

Most Social Democrats and some employers as well as national union leaders would like to see a revival of the Swedish Model of centralised collective bargaining to bring back supposed wage stability. This seems unlikely to happen. The system – once the aspiration of an admiring western world – lost its way in the early 1980s, though it has not yet been replaced by a realistic alternative. The seeds of a more decentralised, market-based arrangement for wage determination have been sown in the Swedish labour market but they have yet to be truly harvested. This is mainly because on both sides of industry there remains a fear that the complete abandonment of any national or industry-wide strategy would create a degree of havoc in the workplace that would be counter-productive. Its would undermine not just the traditional workplace belief in solidarity that still lingers on but also any semblance of consensus.

Mr Larsson is a great believer in the power of reason and he may well be proven right. Sweden still has reserves of social cohesion that many observers fail to recognise. He insists his policies are in tune with the traditions of the Social Democratic party – a tight fiscal policy combined with a dynamic labour market strategy and prudent public expenditure.

Certainly he rules out devaluation as a cure-all. "It is out of the question," he says. "With the internationalisation of our economy and the deregulation of the financial markets it is neither desirable nor possible to devalue."

Mr Larsson adds that Sweden would lose its credibility as a partner with other countries if it resorted to devaluation again. As he points out, devaluations undermine the "value of the worker's wages", a strange policy for union leaders to advocate.

On linking the krona to the exchange rate mechanism of the European monetary system he is more circumspect but he makes it clear that for the moment Sweden must improve its economic performance.

In his careful and low-key way, Mr Larsson lacks the ebullience of Mr Feldt and he does not attract the same intellectual admiration of his predecessor. But his toughness should not be underestimated. He is not the kind of man who will be easily pushed off course by political pressures from within his own party. "We Social Democrats have to take the tough decisions because we have to govern the country," he asserts.

Sweden is committed to a convergence with western Europe as an open, deregulated economy. The solutions it seeks in the 1990s to overcome its structural problems will have to be compatible with that wider framework. There can be no resort to national answers that insulate Sweden from the international economy.

Robert Taylor looks at trade relations with the UK

Trouble-free market

BRITAIN has always been important for Swedish trade. Over the past two years it has overtaken Norway and the United States to become the country's second biggest export market after West Germany. Unlike the country's trade with West Germany, that with Britain provides a surplus – exports worth SKr37.24bn in 1989 compared with British imports to Sweden worth SKr25.49bn.

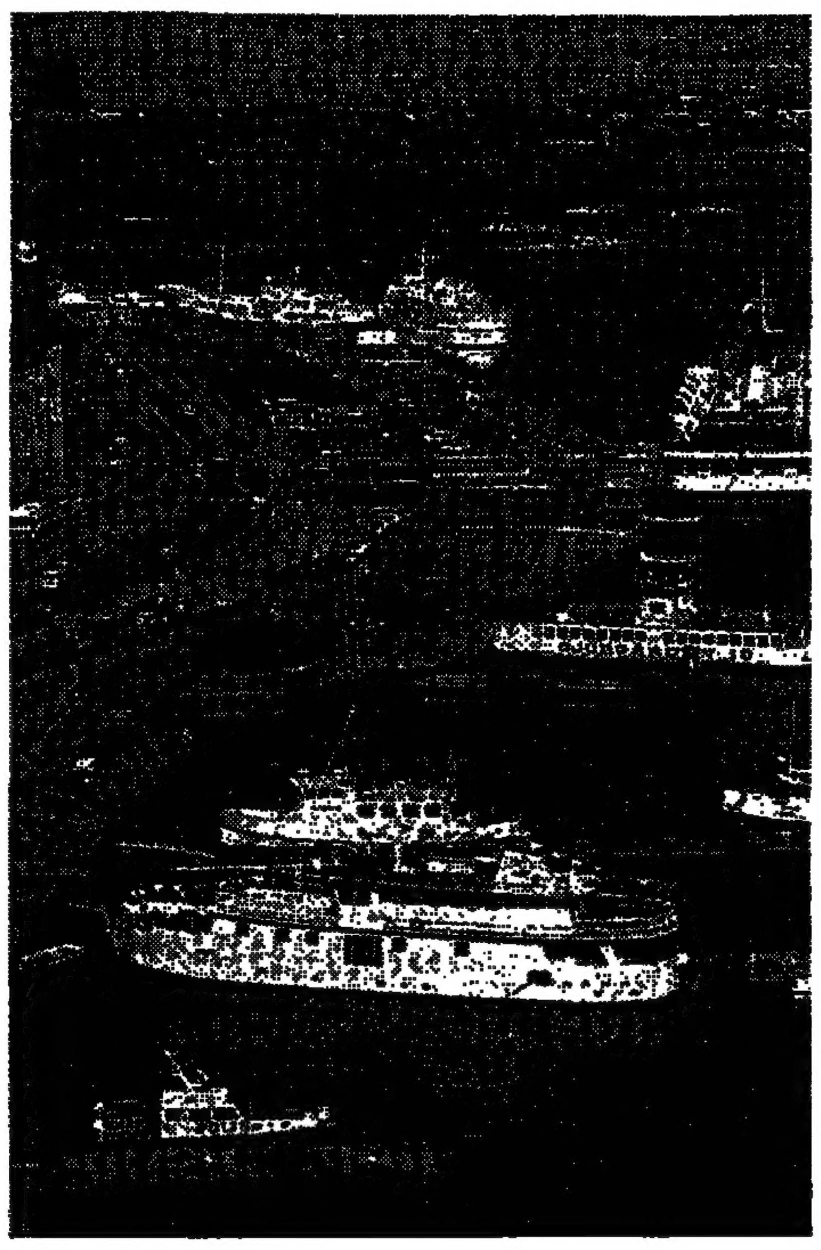
The British market remains attractive for a diverse range of Swedish companies. Engineering products continue to dominate. In 1988, more than a third of total exports to Britain from Sweden were engineering products, especially passenger cars, trucks and lorries from Volvo and Saab-Scania, and telecommunications equipment from the Ericsson company. It is estimated that 22 per cent of all Swedish-made heavy trucks are sold to the British market as well as 17 per cent of telecommunications equipment. Sales of construction and mining equipment, power generating machinery, office equipment and mechanical handling devices were also prominent among the manufactured exports sent to Britain.

Almost as important for the Swedish trade to Britain are paper and board products from the country's long-established forestry companies. In 1988, 23 per cent of all paper produced in Sweden was sent to Britain. Steel exports are also substantial for the British market while wood and pulp also figure prominently in the statistics.

There are signs that the British market is becoming increasingly attractive to Swedish manufacturers of high quality and environmentally-friendly consumer products. The latest trade figures show a 26 per cent growth in furniture to Britain, for example. By contrast, food exports from Sweden to Britain remain relatively unimportant. Certainly that is one sector where Britain still runs a healthy trade surplus with Sweden.

The launch tomorrow in London of Sweden in UK Year indicates the determination of the country's Export Council to build up and broaden trading ties. "One of our aims is to strengthen Sweden's trade position in Britain," explains Mr Ulf Lavestam at the Export Council, a market which he describes as "trouble-free". But another reason for the promotion is to alert British consumers to a more diverse range of Swedish-made goods.

This is why there will be an



Stockholm harbour area

emphasis on a number of specific product areas. Take food products – a number of companies will be taking part in the trade promotion including the fibre health foods firm Friggs, the crisp bread Wasabrod, preserved herring from PK-Konserver and the mineral water Ramlosa in its distinctive blue bottles.

House construction will also receive a high priority with a number of companies exhibiting at the next Ideal Home show. Furniture and office equipment will also feature in the trade promotion, particularly that made for hotels, restaurants and business premises.

Over the next 12 months a number of Swedish industrial sectors plan to stage their own events in Britain as part of the UK promotion year. These will include exhibitions of forestry machinery, men's clothing, child care products, environmental goods and Swedish technology products.

The country's forestry industry will initiate the trade year tomorrow by planting oak saplings from Sweden in Wiltshire's Woodland park as replacements for those destroyed by last year's storms.

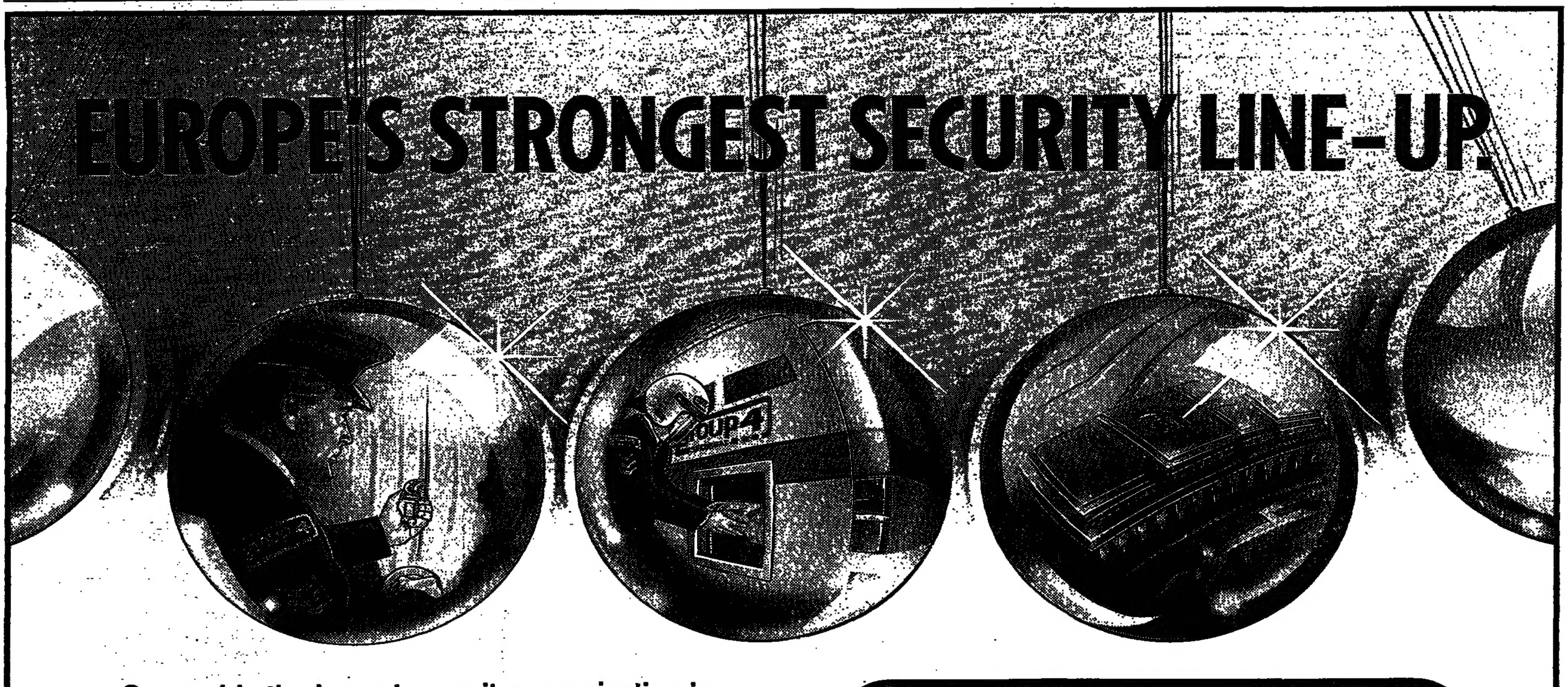
Sweden takes its existing trade with Britain too much for granted, but that is understandable. The country enjoys a usually justifiable positive market image in Britain for its high quality, well-made, if expensive, products. No discriminating middle-class family is complete without at least some Swedish-made consumer durables to show off to their friends.

In fact, the British and Swedish economies have been intertwined for a long time. Sweden's late industrial revolution in the 1880s and 1890s owed much to the availability of British capital and expertise. Moreover, with because of a small home market, Swedish companies looked overseas for growth. This is why companies such as the world ball and roller-bearing company SKF, the white goods manufacturer Electrolux, as well as Ericsson and many others established plants outside Sweden from early this century.

Britain was an attractive base for Swedish companies to establish subsidiary operations before the First World War. It is estimated there are now nearly 700 Swedish subsidiaries operating in Britain. The internationalisation of Swedish industry has grown rapidly in recent years and Britain has become a lucrative base for many Swedish companies who want to establish more of their activities inside the European Community before the arrival of the internal market in 1992.

Britain's well-established global financial system has also appealed to an increasing number of Swedish-owned financial institutions who want closer access to the world's larger money markets. A substantial part of Sweden's net outflow of capital is coming to Britain. Inward investment from Sweden has climbed from SKr886m in 1985 to an estimated SKr9.84bn last year.

Swedish companies are also pursuing an aggressive merger and acquisition strategy in the UK, taking advantage of a more deregulated scene. Two weeks ago the paper and pulp company SCA acquired Reedpack. Further Swedish inroads into the British market can be expected in the coming months.



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Robert Taylor on Rune Molin's industrial strategy

Boardroom bogyman

SWEDEN'S Industry Minister, Mr Rune Molin, is rapidly turning himself into the bogyman of the country's boardrooms.

When appointed to his present job in January, many employers breathed a sigh of relief on hearing he was to take over the energy portfolio from the anti-nuclear Environment Minister Ms Birgitta Dahl as part of a beefed-up industry department.

The arrival of the deputy general secretary of the blue-collar LO trade union confederation was seen as a clear signal that the Government intended to retreat from its commitment to phase out nuclear energy. Mr Molin had not disguised his anxiety that the non-nuclear strategy could impose intolerable extra energy costs on Swedish industry and add to the pressure on many companies to move more of their business activities out of the country with a resulting loss of jobs for LO members.

The non-nuclear policy has not changed so far though it could do so in the autumn. In the meantime, Mr Molin is alarming private industry over his gradually emerging industrial strategy.

Many employers regard him as an old-style Social Democrat concerned with collectivist solutions to the country's industrial problems based on an extension of state power.

"Molin is living in the past," admitted one senior employer. "While eastern Europe is rapidly abandoning state controls over their economies he is busy working in the opposite direction on solutions that won't work."

No wonder he has rapidly won himself the nickname of "Molin Rouge" among his enemies.

Indeed, some employers fear they could well find themselves involved in a confrontation with the Government during the next few years, even more bitter than the controversy over wage earner funds that divided capital and labour in Sweden between 1975 and 1984. Others wonder whether Mr Molin will be allowed to push his ideas through the cabinet in the face of scepticism from the more liberalising elements that continue to dominate the Ministry of Finance. In fact, Mr Molin's bark may turn out to be much worse than his bite.

A few weeks ago he won parliamentary approval for the creation of a new state holding company – Investment AB Sweden – which will be launched later in the year to cover the country's existing publicly-owned industry sector. This huge enterprise will enjoy initial market assets worth an estimated SKr30bn covering the nine existing companies wholly or partly owned by the state that employs just over 75,000 workers.

It is also to have the power to purchase shares up to a value of SKr3bn-Skr5bn in listed and unlisted companies with money from the existing publicly-owned wage earner and supplementary pension funds.

In fact, it is an attempt to establish a national company based on a mix of public and private ownership with the strategic authority to develop as a major force on the Swedish industrial scene, a counterweight both to the private concentrations of corporate power and the rapid internationalisation of Swedish business life. While 85 per cent of Investment AB will be state-owned the rest is to be sold off in the form of convertible loans to institutions such as the public pension and collective wage earner funds.

As well as the state investment company there are also going to be five to six regional risk capital companies established by the government with the aim of providing financial resources of around SKr1.8bn to small and medium-sized private firms up to a maximum of SKr30m a company.

Mr Molin denies this is an attempt to "socialise" industry, arguing it will provide a means for companies to acquire the risk capital they lack to expand their activities.

Mr Molin is now working on the next stage of his wide-ranging national industrial strategy which will be unveiled next spring.

This will cover a wide area including infrastructure development, energy and research and education. It is also expected to involve proposals for the removal of existing legal restrictions on Sweden's public pension funds from buying private shares on the stock market.

Mr Molin would like to see the funds used in a strategic way to help in the industrial restructuring of the country during the 1990s as well as to resolve the issue that has troubled the LO trade union confederation for a long time – this is how to reconcile the existence of corporate high profits with a degree of social equality acceptable to wage earners. Sweden's Industry Minister is keen to reassert ideas of economic democracy

But there is another important motive in Mr Molin's thinking. Earlier this year he decided to postpone any change in Swedish company legislation that prevents foreign companies from acquiring Swedish enterprises without prior government approval.

Mr Molin says he wants to wait until negotiations have been completed on the creation of a European Economic Space between the European Community and the European Free Trade Association before bringing forward measures to liberalise the present company ownership regulations.

Nobody doubts that Sweden will eventually have to bring itself into line with EC countries in its company law, especially when so many Swedish-owned companies have been pursuing an aggressive strategy of hostile bids, mergers and takeovers of firms in western Europe over the past few years in response to the EC's creation of the free internal market.

The demand that Sweden should reciprocate and lift its restrictions on foreign company ownership of Swedish enterprises is understandable and irresistible.

At present it is estimated that only 9 per cent of Swedes are employed by foreign-owned companies – mainly from Nordic countries – compared with 4 per cent 20 years ago. In the meantime, Mr Molin wants to protect what he calls "the national character" of Swedish industry.

None of this seems likely to impress Sweden's employers. They want to see Mr Molin assist in the creation of a climate in the country more sympathetic to private investment and not devote his energies to what they see as corporatist solutions that they think will injure not help the country's industrial prospects in the 1990s.

Progress of the Welfare State investigated

Efficiency campaign

SWEDEN has the largest public service sector in the western world. Just over 60 per cent of its gross domestic product will be devoted to public expenditure, compared with an average of 45 per cent in the countries belonging to the Organisation for Economic Co-operation and Development. An estimated 33 per cent of the workforce – 1.6m people – have jobs in the public services.

To many Swedes the Welfare State remains the Social Democratic dream come true with the public provision through taxation of financial security from the cradle to the grave for everyone irrespective of income, removing the fear of ill health, unemployment, poverty and old age.

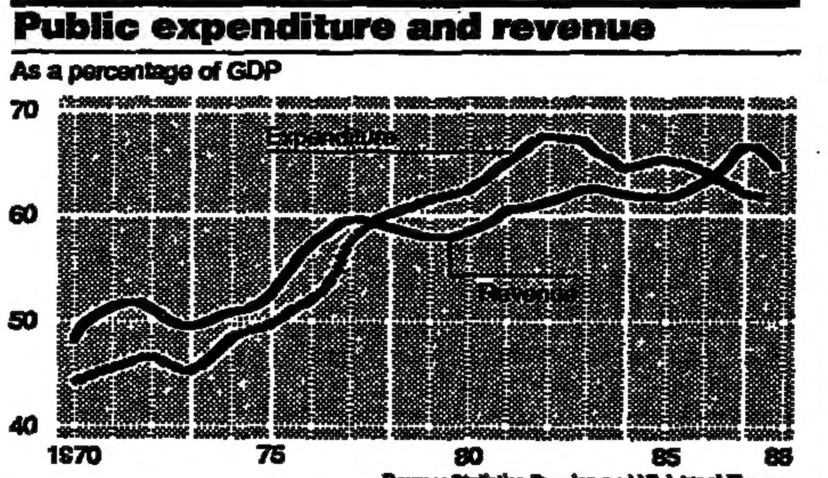
Certainly Sweden still enjoys a high quality of public services for all the grumbles about long queues for routine operations and the shortage of child care centre places. With a tiny visible underclass, long life expectancy (80 years for women and 74 for men), a negligible infant mortality rate and next to no registered unemployment, Sweden still combines public and private affluence measured by purchasing power parities to a degree not seen anywhere outside the Nordic region, Switzerland and possibly Canada.

Social critics on the Left believe Sweden has grown more selfish and less committed to its welfarist values during the increasingly individualistic 1980s, although even the powerful LO trade union organisation recognises the limit on resources has been reached.

To neo-economic liberals the Swedish welfare state has become a huge incubus holding back the economic growth. They condemn it as inefficient, bureaucratic, expensive and insensitive to consumer needs. But, as Professor Robert Ericson at the Swedish Institute for Social Research argues, "the vast majority of Swedes are generally satisfied with the welfare state funded out of taxation. What they criticise is the way the system is administered, not the principles upon which it is based."

Public expenditure and revenue

As a percentage of GDP



Source: Statistics Sweden and Ministry of Finance

In his valedictory remarks the outgoing finance minister Mr Kjell-Olof Feldt warned the public services sector posed the biggest problem to Sweden in the 1990s because of the spending it would need from limited resources.

Contrary to common assumption the present size of Sweden public services is a relatively recent phenomenon, dating back to the early 1970s when the rapid expansion in public sector employment began in earnest. Public sector growth actually peaked in 1982 – the last year of non-Social Democratic rule- when it absorbed 66.8 per cent of the country's GDP. It has fallen since then and finance minister Allan Larsson expects it to drop below 60 per cent in the next few years.

The emphasis is no longer on expansion but on containment within tight available resources. As the government's medium-term strategy for the 1990s argues, "resources for new efforts in the public sector will have to be created mainly by making more efficient use of the available means. Tax pressure should not be increased; the aim instead should be to lower it."

At present there is no apparent popular mood for rolling back the present frontiers of the welfare state in a fundamental way. Only the Moderates call openly for a reduction in the total tax burden through real cuts in public expenditure and even their leader Carl Bildt admits they would "trim" not dismantle the public welfare system. The rest of Sweden's political parties maintain an agreed consensus on the need to defend the welfare state from attack though they also favour decentralisation, some private initiatives and greater cost efficiencies.

On the other hand, there is also a widespread acknowledgement that the public sector is in need of urgent reform with an equal acceptance that improvements can no longer be made through the extra provision of financial resources from the public purse. Mr Allan Larsson and his colleagues at the Ministry of Finance are keen to develop a public services renewal strategy, designed to produce greater value for money through better productivity, a greater decentralisation of services and the rigorous application of cash limits.

In particular, the Government wants to see what it calls "a clearer distinction between responsibility for production and financing" through a much wider use of tendering and contracting out of specific services to private co-operatives and the like to ensure a more varied supply of services and a greater freedom of choice.

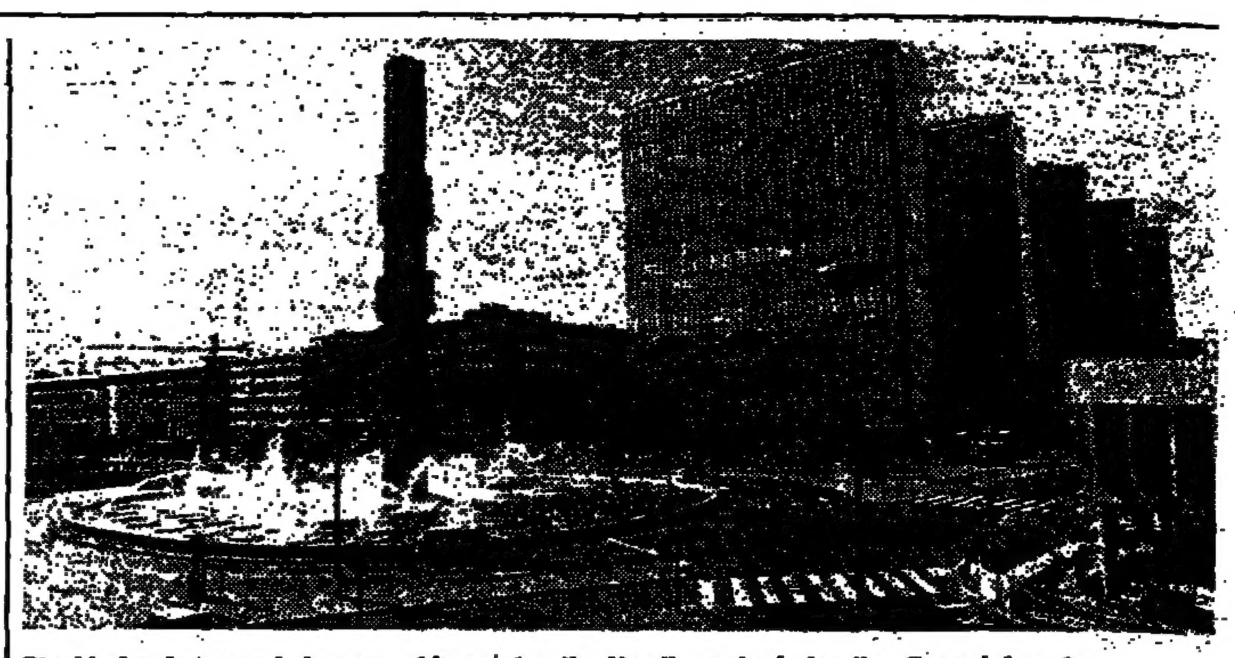
Mr Larsson is concentrating his efficiency drive in five areas of the public sector – education, old age care, child care, the health service and the social security system. His own experience in rationalising the Labour Market Board suggests there is plenty of scope for internal reform of the existing services. He remains convinced that savings can be made on the present SKr250bn devoted to public service expenditure.

Opinion polls suggest a majority of Swedes favour the hiving off of cleaning and cooking in hospitals, for example, as a way of improving the present health service. Enthusiasm for the privatisation of the hospitals and the introduction of private insurance systems is less evident.

But Mr Larsson is not dogmatic about the preservation of public control, favouring private initiatives in child care provision, for example and showing a keen interest in the introduction of competition inside the public health service by separation of the function of producing from purchasing.

Critics remain sceptical whether Sweden's huge public sector with its allegedly low productivity level is capable of renewal without radical changes but they may be proven wrong. There is certainly a loss of consumer confidence in some sectors of the welfare system but whether this amounts to a level of popular discontent which would encourage a dramatic shift in the way the system functions remains doubtful.

Robert Taylor



Stockholm: improved chances of becoming the Nordic region's leading financial centre

John Burton examines the financial markets

Eyeing EC systems

THE probability that the Swedish government will abolish the turnover tax on securities transactions by the end of the year improves the chances of Stockholm becoming the leading financial centre for the Nordic region in the 1990s. But the emphasis will be on providing finance to small and medium-sized businesses rather than the country's multinational corporations.

The government's willingness to drop the turnover tax, which has been blamed for driving trading in Swedish blue chips abroad, primarily to London, following its introduction in 1984, is an acknowledgement that Sweden must harmonise its treatment of financial markets with European Community practices if it is to compete efficiently.

"Separate Swedish solutions for parts of the financial system may make it difficult in the longer run to participate successfully in international developments," the Ministry of Finance recently warned in its forecast of economic trends in the 1990s.

Sweden is confronting the fact that the concentration of trading in internationally-known securities to London, New York and Tokyo during the 1980s made it inevitable that Stockholm would lose its importance as a capital market for many Swedish multinationals. But the government's policies, particularly in regard to taxation, accelerated this trend.

"Swedish financial markets must satisfy the needs of Swedish industry, but as Swedish companies move abroad they will rely more on foreign markets," says Mr Anders Sahlen, general director of the Swedish Bank Inspection Board.

"Big Swedish companies can take care of financial needs in the major markets, but a healthy national market is still needed to finance smaller companies," adds Mr Claes Dahlbeck, president of Investor, the Swedish investment company with shareholdings in many of the country's multinationals.

But the Stockholm Stock Exchange still has hopes of winning back some business from London, emulating the success of exchanges in other small countries, such as Amsterdam and Zurich, in playing a key supporting role in the international financial community.

Mr Bengt Ryden, president of the Stockholm bourse, believes this is possible if the four Nordic exchanges are fused together. "The Nordic markets are too little on their own, but we have taken the decision to create a common Nordic securities market. We hope to have a joint trading system in operation within the next three to five years." Prospects would also improve if the Nordic governments agree to harmonise their financial rules and regulations with those in the EC, he adds.

In Sweden's case that would mean reducing its taxes on financial services. The ruling Social Democrats so far appear unwilling to do so. "There is no reason to have special tax favours for the financial sector in order to attract business to Sweden," says Mr Erik Asbrink, the deputy finance minister. "Financial institutions should be treated no different than other business sectors when it comes to taxation."

The stock exchange still has hopes of winning back business from London

The government is likely to support a proposal contained in an official study released last month to impose a special tax on companies in the financial sector, including banks, insurance companies, and brokerage firms. The new tax, which will be equivalent to 4 per cent of a firm's combined wage cost and profits, would amount to a VAT tax on financial services. It was partially tabled in anticipation of the crumbling of barriers separating financial sectors, such as insurance from banking.

Other government proposals, however, are likely to revive trading on the Stockholm bourse over the next few years. Trading volume has been hurt not only by the tax on securities transactions, but also a temporary and technical hike in the capital gains tax this year from 40 per cent to 50 per cent on shares held less than two years. This has discouraged short-term profit taking.

But the tax reform programme will cut the taxation on dividends next year to a uniform 30 per cent irrespective of how long a share is held. It is expected to boost trading volume and encourage the issue of new shares. Corporations are also expected to distribute a larger share of their profits as dividends as a result of lower taxes and the abolition of tax-free investment reserve funds, which have kept capital bottled up.

More liquidity is also flowing into the bourse. Since the beginning of the year, private savers have been able to switch their funds from tax-free bank accounts, which contain a total of SKr70bn, into tax-exempt mutual funds, with Skr12bn expected to be transferred by the end of the year.

The government is also mooting the possibility of allowing more of its affiliated national pension funds to invest in the market, although the proposal is likely to create a storm of controversy with allegations that the state is trying to obtain ownership of corporations.

If several of the national pension funds do enter the market, it will increase the dominance of institutional investors in the bourse. "The government is promoting a policy that favours collective institutional investors and discourages small investors," says Mr Lars-Erik Forsgardh, president of National Swedish Association of Shareholders.

The strength of institutional investors in the market has been cited in the past as one reason for the success of Swedish multinationals since they have allowed executives to pursue long-term strategies. That, however, may be changing. With companies likely to redistribute profits through higher dividends as a result of the tax reform, "Swedish institutions will probably follow the US example and become more interested in short-term profits," says Mr Sven Hagstromer, chairman of the Swedish Association of Stockbrokers.

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The 'tax reform of the century' assessed by John Burton

Imbalances to be corrected

ALTHOUGH the Social Democratic government calls it "the tax reform of the century", Sweden will continue to have the world's highest tax ratio at 56 per cent of GDP, 15 percentage points above the average in the EC countries.

The tax reform programme that is being introduced this year and next is not designed to reduce the tax burden but rather redistribute it to correct some of the imbalances in the system. While tax rates will be lowered in most cases to a uniform level of 30 per cent on most types of income, the tax base will also be broadened to produce a simpler and fairer system.

The nominal corporate tax rate will be reduced from its present 52 per cent to 30 per cent by 1991 at the expense of eliminating a tax-free investment reserve fund and generous inventory write-downs that have resulted in the average Swedish company paying an effective tax rate of 25 per cent, among the lowest in the industrialised world.

The introduction of a new tax equalisation reserve, which will allow earnings and taxes to be spread over several years, will mean Swedish concerns will continue to pay about the same amount of taxes as they do now. Foreign companies in Sweden, which have had less of an advantage in using the tax reserves, will face lower tax bills than the average 40 per cent rate they now pay.

Swedish industry generally welcomes the reform since it will help reduce the distorting effects of the old system, which encouraged debt financing due to deductions on interest payments and favoured mature capital-intensive industries with historically high rates of profits.

The tax-free investment reserve fund, in which companies placed up to 50 per cent of their profits with the government deciding when and how the money would be used, "locked in capital that could be used more efficiently elsewhere", says Mr Erik Asbrink, the deputy finance minister, who is one of the main architects behind the tax reform. An increase in venture capital is now more likely as a result of the changes, he believes.

While the rates will be lowered in most cases to a uniform level of 30 per cent on most types of income, the tax base will be broadened to produce a simpler and fairer system

It is the reform of personal taxation, however, that has attracted the most attention in Sweden since most citizens now pay a steep rate of 40-50 per cent on income, with the tax ceiling reaching 72 per cent last year. The tax ceiling will be lowered next year to 30 per cent for those with an income of SKr180,000 or less, about 85 per cent of the working population. Those with an income above that amount will face a maximum tax ceiling of 50 per cent.

The main aim of the lower rates on personal income is to provide increased work incentives. The punishing tax rates are blamed for discouraging overtime work, for example. The Finance Ministry predicts that the labour supply could rise by 4 per cent in the 1990s as a result of the tax reform due to an increase in average hours worked and more people joining the workforce. That would ease Sweden's labour shortage, which has caused the country's chronic wage-push inflation.

The government is hoping that a slower growth in wages will not only improve the country's economic performance, but free corporate capital for other worthwhile investments. But the government may be too optimistic in its forecast. A recent survey conducted by Swedish Television found that only 10 per cent of those surveyed would be willing to work more as a result of the tax changes.

But the public may have little choice but to work harder if they are to afford the higher prices they will face in shops and elsewhere due to the increased taxation on consumption resulting from the wide application of VAT.

VAT is now levied on about 70 per cent of goods and services, but it will be applied to a range of services, from communications to hairdressing, that have been previously exempt. Restaurant and hotel bills have already climbed substantially as the full VAT rate is applied to these sectors, which formerly were subject to half the usual rate. Workers will also face taxes on previously exempt fringe benefits, from subsidised lunches to company cars.

Taxation on capital income is also designed to promote savings, with lower tax rates, for example, on interest from bank accounts, although other, more compulsory forms of savings, such as pension funds, will be taxed more stringently. Tighter curbs will also be placed on deductions for interest payments, curtailing the public's appetite for borrowing. Housing construction is likely to be dampened as deductions for mortgage payments are reduced.

While the tax reform programme is extensive, Sweden will likely have to continue overhauling the tax system throughout the coming decade. The government has pledged that the country will conform its rules and regulations, including taxation, to those of the EC. "In the 1990s, the level of tax pressure can be troublesome, not least in view of the ongoing process of integration with the rest of the world," the Finance Ministry recently conceded in its long-range economic forecast. The government may have little choice but to reduce the tax burden.

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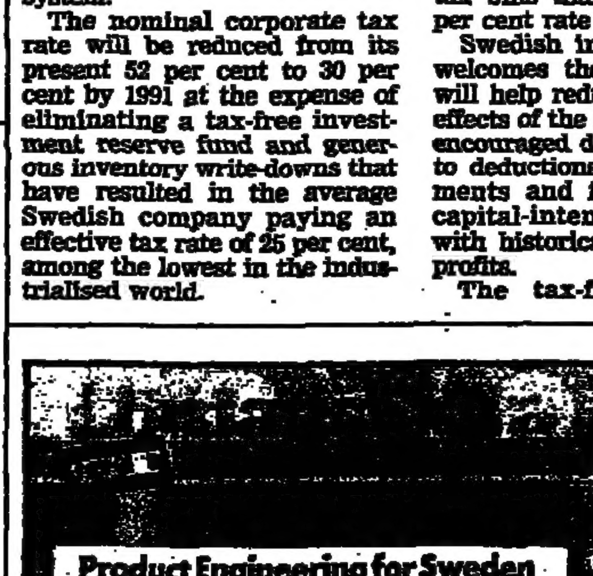

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John Burton on threats to the defence industry

Weapons cutback looms

FOR A small, peaceful country, Sweden maintains a mighty defence industry. But this thriving sector is facing serious threats about its future. The end of the cold war, a freeze on defence spending and tighter arms export controls will mean that Sweden may soon have to cut back on the comprehensive range of weapons, from combat jets to tanks, it now produces.

Seven companies dominate Swedish arms production, ASEA, Ericsson, Nobel Industries, Saab-Scania and Volvo in the private sector and two state-run enterprises, the shipbuilders Celsius Industries and the engineering concern FFV. Their total defence production workforce is 25,000 and annual income from arms production is close to SKr20bn. Sweden has a flourishing arms export trade. Sweden ranked as the world's ninth biggest weapons export nation with total sales of $1.87bn between 1985 and 1989, according to the Stockholm International Peace Research Institute (SIPRI).

In preparation for the tough times ahead, the defence industry is now being restructured. The biggest changes are likely to occur among the country's three army-related contractors, the Bofors division of Nobel Industries, FFV and the Hagglunds subsidiary of ASEA.

Although Nobel Industries has successfully reduced its dependence on defence sales by shifting its emphasis to chemicals products, it still hopes that Bofors, the country's biggest defence company with sales of SKr5.3bn in 1989, will play a leading role in the reorganisation of the arms industry.

Bofors is concentrating more on defence electronics and ammunition as the outlook for field artillery and missiles, its other main products, grows increasingly bleak.

Bofors last year acquired the Swedish defence electronics subsidiary of Philips, which it renamed Bofors Electronics AB (BEAB). BEAB subsequently took 80 per cent ownership of Ericsson's military command and control systems operations, concentrating the Swedish development and production of this technology in one company.

With the Swedish defence staff urging that the defence electronics industry be consolidated, Bofors may seek to acquire the rest of the Ericsson Radar Electronics division, which manufactures defence communications systems as well as ground and aircraft radar. Ericsson might prove willing to sell the division, which made a loss of SKr46m on sales of SKr3.8bn, if management decides to concentrate its resources on public telecommunications.

In the ammunition sector, some type of co-operation between Bofors and the ordnance division of FFV looks increasingly likely. The recent decision by Mr Rune Molin, the Swedish Industry Minister, to partially privatise state-owned FFV could open the door for the takeover of its ammunition production by Bofors.

But Bofors has been blocked in expanding its armoured vehicle and missile businesses. Its joint proposal with Hagglunds to build a new tank for the Swedish Army is likely to be rejected in favour of tanks from the US or West Germany. Bofors and Hagglunds already manufacture armoured personnel carriers for the Swedish Army.

In preparation for the tough times ahead, the defence industry is now being restructured

A proposal by the Swedish defence staff last autumn that Bofors and Saab-Scania co-operate in their development and production of tactical missiles no longer looks feasible. When Saab last December sold 50 per cent of its automobile division to General Motors, it also agreed to explore the possibilities of co-operating with *Hughes Aircraft*, a General Motors subsidiary, in missile development. Sweden is already planning to buy the AMRAAM air-to-air missile from Hughes for the country's new JAS Gripen multi-role combat aircraft. The link between Saab and Hughes could now force Bofors to seek a foreign partner to share missile development costs.

Meanwhile, the next few years could determine Saab's future as a producer of military aircraft. The JAS programme, Sweden's largest military project, has been plagued by delays and cost overruns as well as the crash of the first prototype aircraft. The problems have raised questions whether the Swedish Air Force will stick with its plans to buy 350 to 400 of the aircraft through the beginning of the next century. It has ordered an initial batch of 30 aircraft and another order for 110 is likely, but deliveries may cease thereafter with future combat aircraft procured from abroad.

Saab and related aerospace companies such as Volvo Flygmotor, the aircraft engine division of the Swedish motor vehicle group, are already preparing for the day when military aircraft production could be curtailed by building up a market position in the civil aircraft sector.

The crisis in the defence industry could also spell the virtual end of Swedish shipbuilding, which was the second biggest in the world two decades before it was dismantled in the face of increased competition from the Far East. Only two shipyards remain and both rely heavily on orders from the Swedish Navy.

The Navy, facing a severe budget crunch, may not be able to place more orders for surface vessels in the 1990s, which could force the closure of the Karlskrona Yards. The submarine works at Kockums Marine in Malmo, however, could survive due to exports despite a possible cutback in orders from the Swedish Navy.

The likely disappearance of key areas of Sweden's arms industry will remove an important pillar supporting the country's neutrality. Sweden built up its extensive arms industry after the Second World War to make its foreign policy less susceptible to superpower *influence. It still* procures 70 per cent of its military equipment from domestic suppliers.

But Sweden has clearly signalled a change in policy. It plans to buy important weapons from abroad and co-operate more with Western defence firms on research and development as well as licensed production. These developments, by undermining Swedish adherence to neutrality, may help lower the government's resistance to seek membership in the European Community.

PROFILE: NOBEL INDUSTRIES

Aggressive buying spree

THE principal shareholder of Nobel Industries and its new chairman, Mr Erik Penser, vowed several years ago that the chemicals and armaments conglomerate would be one of Sweden's five biggest companies by the end of 1991.

The company already has achieved the distinction of being one of the country's fastest growing industrial concerns during the second half of the 1980s after its creation out of a 1984 merger between the defence concern Bofors and the chemicals group Kema Nobel. A string of acquisitions totalling SKr16bn had tripled Nobel's size by the end of last year, making it Sweden's 18th largest company with sales of SKr22bn.

Although doubts remain whether Nobel can achieve Mr Penser's ambitious target within the next 18 months, the company is continuing an aggressive buying spree under Mr Anders Carlberg, its president and chief executive. Since the beginning of 1990, it has made another five acquisitions totalling SKr7bn. They are expected to raise Nobel's sales by 25 per cent this year, although the company must at least double its turnover to be counted among Sweden's top five.

As it grows, Nobel is restructuring its operations. It is rapidly expanding into the EC,

Erik Penser: expansion vow

reducing its dependence on the restricted Nordic market. It is also successfully shifting its focus from the troublesome defence sector, which has been plagued by arms exports scandals and falling orders at home, to chemicals and consumer products, which now account for 80 per cent of corporate sales.

Nobel's ability to expand through acquisition reflects its improved financial position. In 1988, Mr Penser consolidated his financial interests, gathering them within Nobel. He then sold some of his property and shareholding assets as well as divesting Nobel of several peripheral businesses to raise capital.

The company's finances were further bolstered by two share issues. Solidity (equity/assets) is now around 25 per cent, compared to a meagre 13 per cent just a few years ago. Although Nobel remains a minnow among such European chemical giants as BASF, Hoecht and Bayer, it is following a strategy of concentrating on market niches where it can be a leading competitor. It is focusing on several areas for growth, including paints and adhesives, pulp chemicals, and toiletries.

Paints and adhesives is now Nobel's biggest division, accounting for a third of total sales, after the £205m purchase of Crown Berger in May, which ended the company's frustrated search for a major paint company in the EC. With the European chemicals industry at its cyclical peak, Nobel faced difficulties in finding takeover candidates at a reasonable price and had to be content with buying small and medium-sized firms, such as Sadolin & Holmblad in Denmark and Trimetal in Belgium, until the Crown Berger deal.

The absorption of Crown Berger will make Nobel the third largest paint producer in Europe, following ICI of the UK and Akzo of the Netherlands. Such economies of scale are necessary for Nobel to survive in this competitive, consumer-oriented sector with its considerable marketing and distribution costs. The acquisition also gives Nobel access to the UK paint market, complementing its activity in France and Italy as well as the Nordic region.

The Skr1.93bn purchase in May of Stora Kemi, the chemicals division of the Swedish pulp and paper group Stora, has also made Nobel one of the world's leading suppliers of bleaching chemicals for pulp producers. Nobel's strength in this area lies in its production of sodium chlorate and hydrogen peroxide, which are cleaner substances for pulp bleaching than the traditional method using chlorine gas.

The Scandinavian pulp and paper industry, faced with stringent pollution emission controls, has become big consumers of these chemicals, thus providing Nobel with a strong domestic market. It has also ridden the "green wave" into North America by building facilities to supply these chemicals to the forestry industry.

The addition of Stora Kemi has made the Eka pulp chemical division the third largest group within Nobel, accounting for 15 per cent of sales. It is also the concern's most profitable division. It provided 22 per cent of Nobel's earnings of SKr1.2bn in 1989, although its sales amounted to only 10 per cent of total turnover.

The $107m purchase of the European skin and hair care operations of Gillette has broadened Nobel's marketing of chemical-based consumer products into southern Europe from its operations in Sweden, France and West Germany. More acquisitions in this business area are expected.

Nobel has deviated from its emphasis on chemicals in one respect by building up its high-technology subsidiary, Pharos. The separately-listed concern, in which Nobel has an 80 per cent shareholding, has seen its turnover triple in the last few months to SKr4bn.

John Burton

PROFILE: ATLAS COPCO

Investor faith regained

ATLAS COPCO has recovered its lustre among investors after a difficult patch in the 1980s. Its recent SKr1.3bn international share issue was oversubscribed and its performance on the Stockholm bourse could once again make it the glamour stock it was a decade ago.

The bright outlook for Atlas Copco, which manufactures air compressors, mining and construction equipment, and automated industrial tools, largely reflects the solid growth in industrial production and construction in North America and Europe in the late 1980s. Market demand for its products is likely to remain strong *in the early 1990s due to a host* of infrastructure projects in Europe, ranging from improved motor and rail links across the continent to the international fair exhibitions in Spain and Germany.

The company's results have improved sharply since 1986, when its pre-tax profit was SKr735m. Last year's profits amounted to SKr1.53bn, a rise of 109 per cent over three years. Profits could reach SKr1.72bn this year based on present forecasts.

The improvement in Atlas Copco's fortunes has also bolstered the reputation of Mr Tom Wachtmeister, its president and chief executive since 1975. A member of the Swedish nobility (he is a count although he does not use the title), Mr Wachtmeister was frequently criticised by the Swedish press and analysts during the early 1980s as the company's profits *stumbled due to flagging* activity in the worldwide construction industry.

His reputation was further damaged in 1986 when the company's optimistic forecast for the year was proved wrong due to unexpected foreign exchange losses.

But Mr Wachtmeister struck back by aggressively acquiring companies, including Desoutter in the UK, Chicago Pneumatics in the US, Secoroc in Sweden, and Georges Renault in France. He also took the risky step in a mature market of concentrating activity on Atlas Copco's core product areas, unlike its more diversified rivals such as Ingersoll Rand, which also makes bearings. The strategy reflected Mr Wachtmeister's belief that Atlas Copco should dominate every market segment in which it is involved.

But Mr Wachtmeister was *also bowing to the dictates of* the Wallenberg sphere, Sweden's dominated industrial empire, in adopting the core-product strategy.

Companies within the Wallenberg group are not supposed to compete with each other, which prevented Atlas Copco, for example, from expanding into the related area of robotics, which is the preserve of ASEA, another Wallenberg concern.

Atlas Copco holds a special place within the Wallenberg group since it was the first industrial company the Wallenberg family established. Founded in 1873 to supply equipment to the Swedish railways, it switched to the production of pneumatic products in the early 20th Century and added rock drilling equipment after the Second World War.

The company also served as the executive training ground *for Mr Peter Wallenberg, who* now heads the Wallenberg dynasty.

Mr Wallenberg held management positions with Atlas Copco in the US, Africa and the UK as well as Sweden before becoming its deputy managing director in 1970 and its chairman in 1974.

Despite such sentimental ties, Mr Wachtmeister has suggested that Atlas Copco may have to move its headquarters from Sweden if the country's high production costs are not brought under control.

The climbing costs in Sweden threaten to undo some of the savings the company has achieved through an extensive rationalisation programme. It has overhauled its famed sales organisation, concentrated its inventory stockpiles and slimmed down its administrative structure to increase profits through cost-cutting.

The air compressor division is the brightest group within the company, generating 58 per cent of the profits while accounting for 46 per cent of total sales. Atlas Copco is Europe's leading producer of *air compressors and dominates* the global market for oil-free rotary compressors.

Mr Wachtmeister has also targeted the industrial technology group, which makes automated industrial tools, for expansion.

The mining and construction equipment division has lost its previously prominent role within the company. Competition is particularly fierce in a weak growing market.

John Burton

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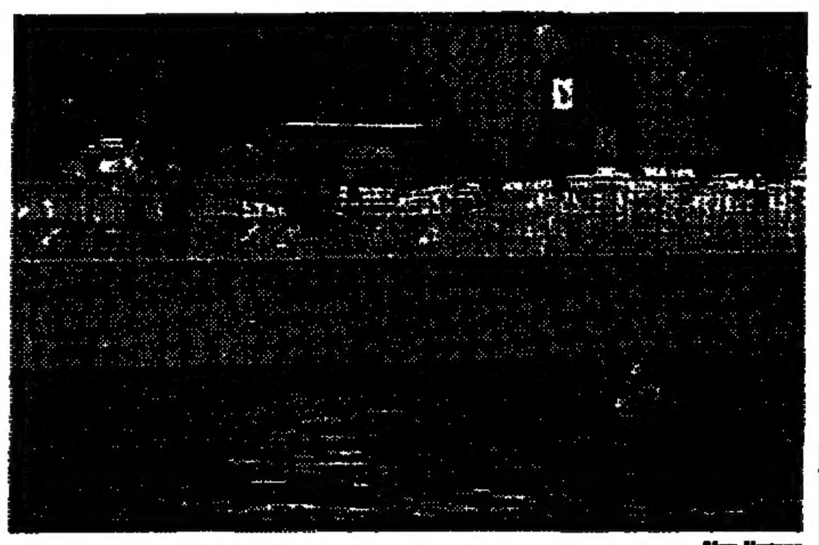
Industry exploits tough environmental laws

A green pioneer

SWEDEN'S environmental laws, among the toughest in the world, have helped prepare the country's industry to exploit opportunities created by the growing "green" consciousness in the global marketplace.

Long before environmental concerns became fashionable, the nature-conscious Swedes were passing laws mandating drastic reductions in air and water pollution. They are still playing a pioneering role in Europe. Recent actions include abolishing use of chlorofluorocarbon (CFC) substances by 1994, ahead of the deadline set by the EC. Sweden was the first European country to adopt US standards on the purification of bus and truck exhaust fumes. The use of catalytic converters for new passenger cars has become mandatory. It now plans to classify car models by their environmental safety and tax them accordingly.



Alan Harper

Clean catch: fly-fishing in the heart of Stockholm

It has also imposed Europe's first environmental tax on carbon dioxide emissions resulting from the burning of oil, coal, natural gas, petrol and other petroleum products. Other pollution taxes are being levied on the release of nitrogen oxide and sulphur oxide. Similar taxes on heavy metals and organic fertilisers are expected to follow.

Sweden has also mandated stricter emission levels on pollutants, with the amount of heavy metal emissions to be halved by 1997 and chlorine compounds by 1992.

Swedish industry's investment in environmental protection has doubled to SKr3bn in the last four years, accounting for 7 per cent of total corporate investment. But these figures do not include spending on cleaner production technology.

The impact of environmental controls has been particularly noticeable in the Swedish pulp and paper industry, which is widely acknowledged as being a global leader in tackling pollution problems. Sulphur emissions have been reduced by 80 per cent since the mid-1970s and industry is virtually abandoning the use of harmful chlorine in bleaching pulp.

The forestry industry's adaption to strict environmental standards have produced several spin-off effects. Nobel Industries, the Sweden chemicals group, has become the world's leading producer of sodium chlorate, a more environment-friendly bleaching chemical than chlorine, due to strong domestic demand.

"It is natural for us to seek to further improve the production process from an environmental point of view since this will give us competitive advantages in the future," says Mr Bengt Lof, president and chief executive of MoDo, Sweden's third biggest forestry company.

Sunds Defibrator, a division of the forestry group SCA, has become a leading manufacturer of cleaner pulp processing facilities. Flakt, a division of the Swiss-Swedish engineering giant ABB, is the world's leading producer of air pollution control equipment for factories. This reflects the Swedish emphasis on eliminating harmful substances during the production process rather than undertaking the more costly task of cleaning them up afterwards.

Industrial pollution emissions are falling sharply. The release of sulphur oxides and nitrogen oxides have been cut by almost half since 1980. Companies are consequently shifting their attention to the environmental consequences of a product over its life cycle, from the raw materials used in its manufacture to its final disposal.

Volvo is using recycled plastic in its cars and demanding its sub-contractors conform to its environmental policy guidelines. Electrolux is developing new chemicals to replace CFCs in the cooling system of refrigerators. Tetra-Pak is producing biodegradable packaging that it claims are as environmentally-beneficial as returnable bottles.

"Green internal audits," which measure the effect of a company's impact on the environment, have been adopted in Sweden. Perstorp, the Swedish chemicals group, advises its customers on the environmental effects of its products and how they should best be used to avoid pollution damage.

The use of environmental audits in Sweden is likely to grow following the recent decision by the government to produce the world's first "green" GDP analysis, which will try to calculate the economic effects of environmental damage. The government is considering legislation that would require companies to conduct an environmental examination of new investment projects and even the introduction of new products.

But while industry complains that such demands may be overambitious, there is a growing acknowledgement that the strict environmental standards existing in Sweden now are soon likely to make their appearance in the rest of the industrialised world. This will give Swedish companies a competitive advantage as foreign rival concerns struggle with the environmental controls that the Swedes have already successfully confronted.

John Burton

John Burton on the media upheaval

Commercial revolution

SWEDEN'S media industry, which has been dominated for decades by the Bonniers family, is undergoing an upheaval as competition increases among Scandinavian-language satellite broadcast channels and the country awaits its first privately-owned terrestrial TV channel.

The Bonniers' media empire, founded in 1837 by a German immigrant, is divided between the family's privately-held Bonniers Group and the publicly-traded Marieberg concern, in which the family has two-thirds voting control.

The Bonniers Group, which reported a profit of SKr235m on sales of SKr7.4bn in 1989, is Sweden's biggest magazine and book publisher. It also controls 70 per cent of the cinema theatres through Svensk Filmindustri (SF), which also produces and distributes films.

Marieberg, which had a profit of SKr399m on turnover of SKr3.26bn in 1989, dominates the Swedish newspaper market through Dagens Nyheter and Expressen, the leading morning and afternoon dailies.

But the two concerns' powerful market position means there is little room for further domestic growth in their traditional business areas. This leaves two routes for further expansion. One is to increase sales abroad, the other to capture a share of Sweden's emergent private broadcasting sector.

Foreign operations, mainly in the other Nordic countries, already provide half of the revenues for the Bonniers magazine group. Bonniers and Marieberg, in one sign of increasing co-operation, are now planning to jointly acquire business publications in Europe. Bonniers already owns Sweden's leading business newspaper, Dagens Industri, and its biggest business magazine, Veckans Affarer, as well as the Danish business publication Borsen.

Marieberg, meanwhile, has embarked on its first newspaper venture outside Scandinavia by acquiring a 45 per cent interest in Hungary's second largest daily Magyar Nemzet. It also has minority interests in two Norwegian newspapers, Dagbladet and Bergens Tidende.

But it is broadcasting that is increasingly attracting the interest of the Bonniers family. The rapid growth of cable TV systems across Sweden and Scandinavia during the 1980s has encouraged the establishment of several regional satellite and pay-TV channels to compete against Sweden's two state-run national TV channels.

Marieberg and the Bonniers' SF film subsidiary last year started a Swedish pay-TV cinema channel, SF-Succe, in co-operation with Warners Brothers. The group is now considering bidding for a rival pay-TV channel FilmNet.

The loss-making FilmNet, broadcast in the Scandinavian and Benelux countries, is being sold by Sweden's Esselte, which is disposing of its media operations to concentrate on office products.

Challenging the Bonniers family and others for ownership of FilmNet is Mr Jan Stenbeck, the principal shareholder in the Swedish investment company Kinnevik. In recent years, Mr Stenbeck has built a small media empire, including financing a successful satirical magazine Z. But his biggest impact is in satellite and cable TV.

He established Scandinavia's first regional satellite channel, TV3, in 1987 and added a pay-TV channel, TV1000, last year. Although TV3 is expected to run an operating loss until next year, it has proved successful with viewers. Swedes account for 40 per cent of the 5.7m viewers TV3 has in Scandinavia.

Kinnevik in May signed an agreement with France's TF1 and its principal shareholder, the Bouygues industrial group, to make a joint bid for FilmNet in the first of several planned co-operative ventures. Although Mr Stenbeck may clash with the Bonniers over control of FilmNet, he is believed to be seeking their support in a much bigger project, namely winning the concession for Sweden's first private terrestrial TV channel.

The Swedish parliament is expected to draw up legislation this autumn to establish the channel following a decision by the ruling Social Democrats to allow commercials on the national airwaves. Sweden is the last West European country to ban TV advertisements. But the arrival of commercial satellite TV has forced them to concede that further opposition is futile.

The government is likely to demand, however, that the winner of the concession for the independent third channel should have a widely-based ownership structure. Mr Stenbeck is now trying to build a consortium to bid for the concession.

Mr Stenbeck's main rival for the concession will be the consortium behind TV4, a new Scandinavian satellite channel that will begin broadcasting on September 15, becoming the third entrant in the Nordic satellite TV market, after TV3 and Nordic Channel, which is owned by Mr Mats Carlgren, the chairman of MoDo, the Swedish forestry company.

TV4's largest shareholder is the Wallenberg financial group with 33 per cent interest in its first significant media venture. The other main owners include the agricultural co-operative movement and the white-collar pension fund SPP with a 25 per cent share each, and the publishers Natur and Kultur with 17 per cent.

CENTRAL BANK

Bitter debate about strategy

THE FUTURE role of Sweden's Central Bank in the management of the country's economy in the 1990s has become the subject of an increasingly bitter but important debate this summer between the powerful blue-collar LO trade union organisation and Central Bank governor Mr Bengt Dennis. This is no esoteric discussion but goes to the heart of how the Swedish economy will develop.

Two months ago Mr Dennis declared in a lecture at Gothenburg University that the Bank needs to enjoy much more freedom of action to pursue what he called a more "consistent" and "credible" financial strategy, without constant political interference so that Sweden could avoid the dangers of short-term, politically-motivated decision-making that might damage the well-being of the economy.

In Mr Dennis's opinion the unpredictable nature of Swedish politics due to parliamentary fragmentation and the probable inability of the parties to establish a strong government makes the Central Bank vulnerable to interference from the politicians.

He fears weak governments will make it much harder for the Bank to maintain tight but necessary fiscal disciplines with high interest rates because they will be susceptible to outside pressures that favour a more relaxed approach even if this would encourage greater inflation.

What Mr Dennis would really like to see is a stronger Central Bank, run on the lines of the Bundesbank. Sweden is one of the few countries in the OECD area where the central bank is under parliamentary control in line with the requirements of the constitution. In Sweden the central bank governor is now appointed for a five-year term by a board of eight trustees, seven of whom are appointed by parliament and reflect its political composition. The trustees are accountable to parliament but they have the power to remove the governor from office if they so wish.

Between 1976 and 1982 the non-Socialist governments were so divided over interest rate policy that the Governor was unable to mobilise a majority with the power to pursue a sufficiently tough monetary strategy.

There has been a hostile reaction to the Central Bank's demand for more power from the Left. The LO's chief economists – Per-Olof Edin and Dan Andersson – have grown increasingly critical of Mr Dennis's strategy over recent years. They dislike his commitment to a more liberal financial system and remain suspicious of the effects of deregulation on the ability of a Swedish government to run its own economic policy.

What really worries them is that Mr Dennis and his colleagues want to establish the kind of power apparently enjoyed by the Bundesbank, so they can integrate the country much more fully into the European financial system. In a recent newspaper article Messrs Edin and Andersson accused the government and the Central Bank of pursuing monetary policies that would mean "the beginning of the end" for the Swedish Model as they sacrificed full employment to the economy's adjustment to the EC.

Mr Dennis would undoubtedly at some point like to see Sweden adjust to the exchange rate mechanism of the European monetary system, bringing much needed external discipline to the conduct of Swedish monetary policy and a signal to the wage bargainers.

The LO takes a different view, accusing the Bank of trying to free itself from democratic accountability. For their part, the LO economists believe the Swedish currency should not be aligned with the Deutschmark and other strong currencies but with a wider range of European currencies. Moreover it also wants to see Sweden retain and use the weapon of periodic devaluation as an important instrument in its armoury.

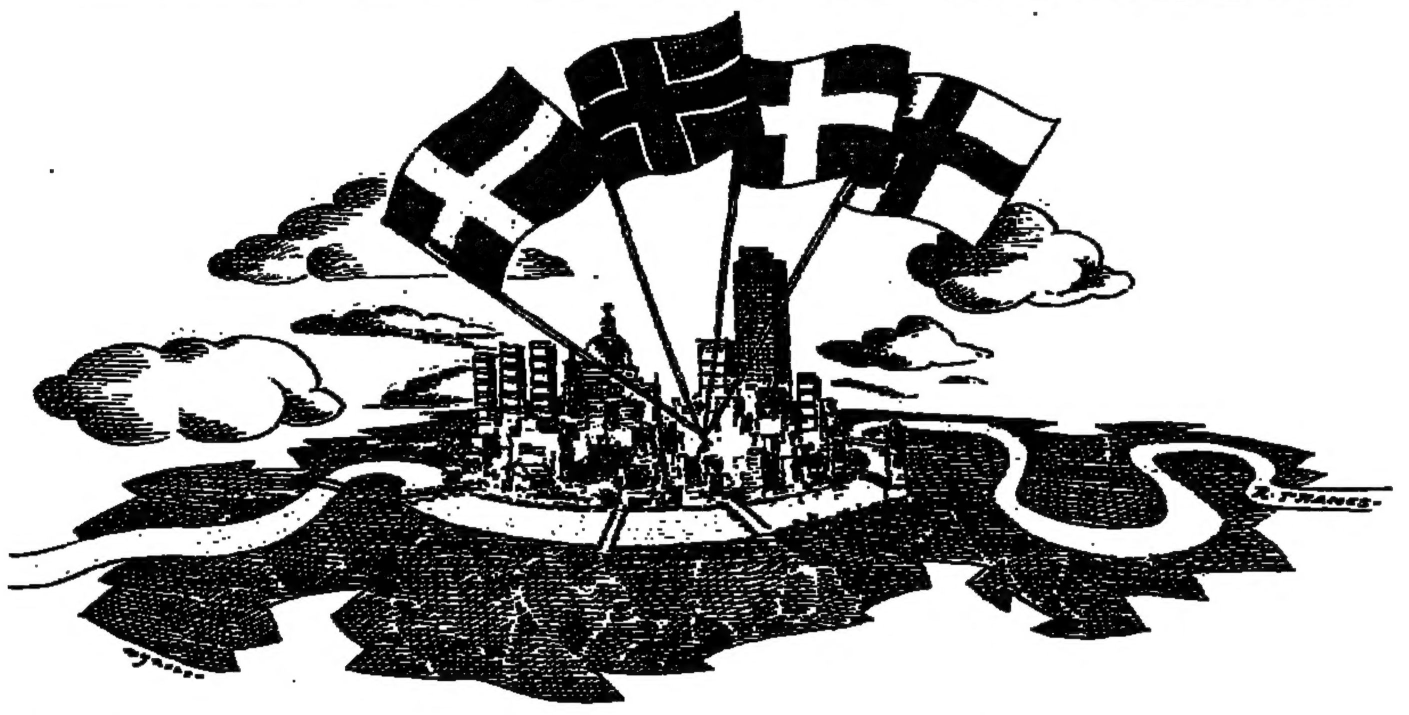
The Ministry of Finance under Allan Larsson seems unlikely to accept the LO viewpoint. The trade union organisation has lost much of the influence it used to enjoy over Social Democratic economic policy-making. But the government has already indicated it will move with care in agreeing to any of the Central Bank's calls for greater autonomy.

In practice, Mr Dennis has worked in tandem with the Ministry of Finance during the 1980s.

This is as it should be. Any serious conflict of view between the Bank and the government over economic policy would have a damaging effect on international confidence. The vituperative tone of LO criticism about Mr Dennis and his colleagues suggests that the trade union view is much less important than it used to be. In what is one of the most important discussions in Swedish public life at the moment, the Central Bank and not the LO seems the likelier to win the argument.

Robert Taylor

Monitoring the Nordic pulse from the heart of London.



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